

**Auditors' review report on the consolidated interim financial statements
(Translation from the original Italian text into the English language solely for the
convenience of international readers)**

To the Board of Directors of
WIND Telecomunicazioni S.p.A.

1. We have reviewed the consolidated interim financial statements, comprising the income statement, the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in equity and the related notes, of WIND Telecomunicazioni S.p.A. and its subsidiaries (the "WIND Group") as of March 31, 2013. Management of WIND Telecomunicazioni S.p.A. is responsible for the preparation of the consolidated interim financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with International Standard on Review Engagement 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. As a consequence, we do not express an audit opinion on the consolidated interim financial statements.

For the data related to the consolidated financial statements of the prior year and to the consolidated interim financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to the reports issued by us on March 21, 2013 and on May 14, 2012, respectively.

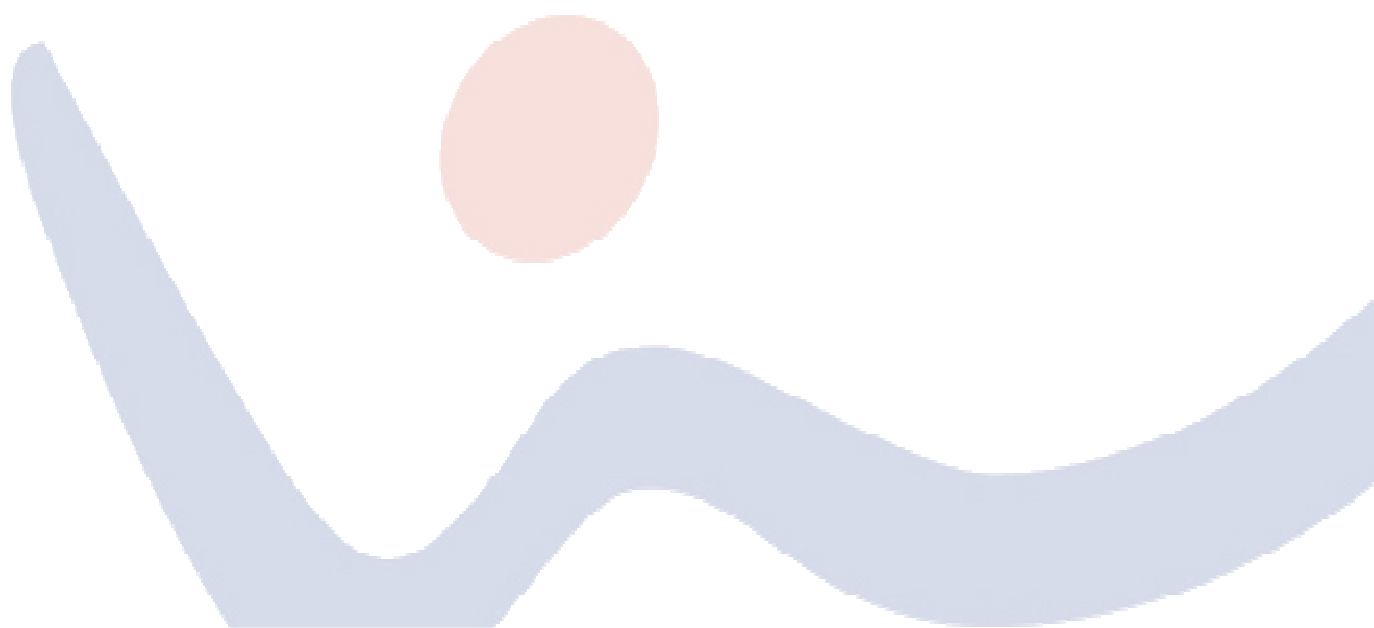
3. Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements of WIND Group as of March 31, 2013 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome - May 10, 2013

Reconta Ernst & Young S.p.A.
Signed by: Luigi Facci, Partner

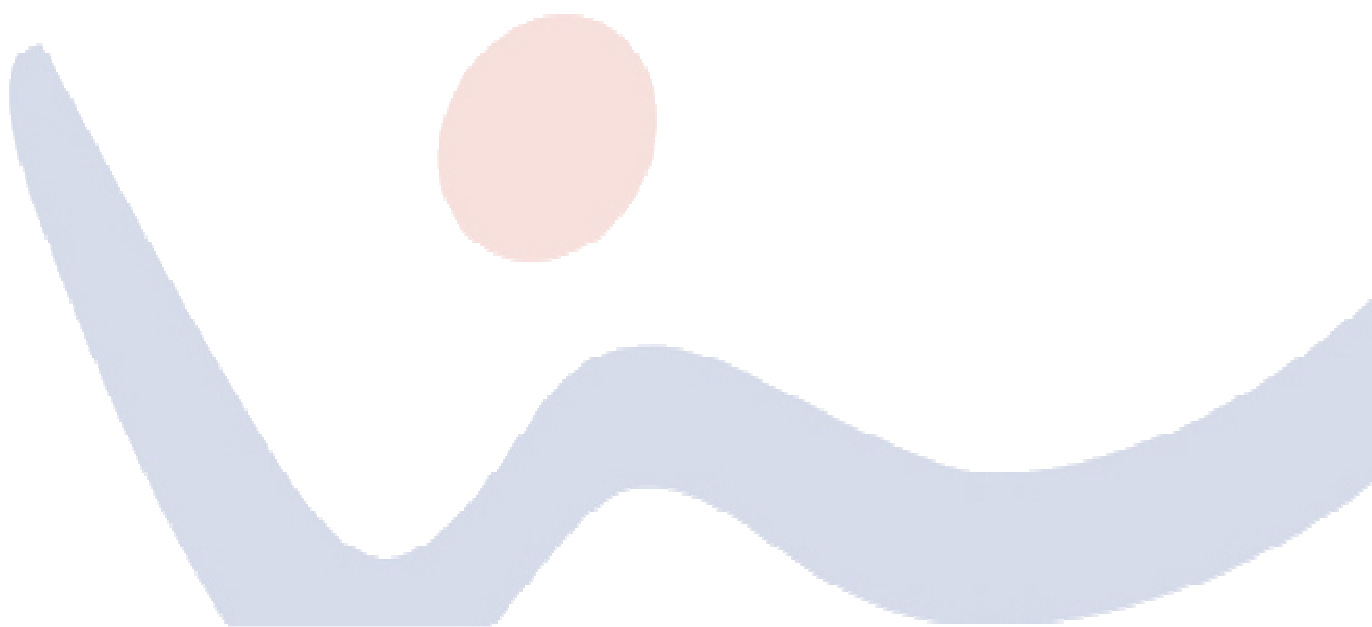
WIND TELECOMUNICAZIONI GROUP

**Consolidated interim financial statements as of and
for the three-month period ended March 31, 2013**



WIND TELECOMUNICAZIONI GROUP

Report on operations at March 31, 2013



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THE WIND TELECOMUNICAZIONI GROUP

The WIND Telecomunicazioni Group (hereinafter also WIND Group or the Group) is a leading Italian telecommunications operator and offers mobile, Internet, fixed-line voice and data products and services to consumer and corporate subscribers.

The Group markets its mobile services through "WIND" brand and it provides voice, network access, international roaming and value added services, or "VAS," as well as mobile Internet services, to its 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 WIND mobile subscribers are pre-paid subscribers.

WIND is the main alternative fixed-line operator in Italy based on revenue. It markets its fixed-line voice, broadband and data services primarily through "Infostrada" brand.

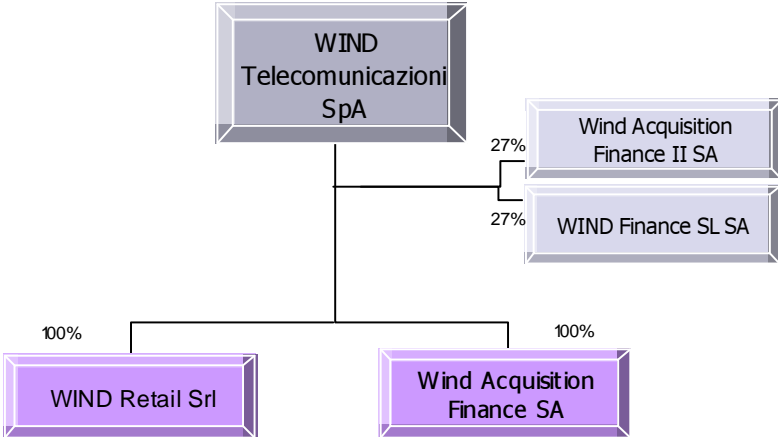
The following are the main offices of the Parent WIND Telecomunicazioni SpA:

Registered office	Via Cesare Giulio Viola, 48 - 00148 Rome - Italy
Secondary office	Via Lorenteggio, 257 - 20152 Milan - Italy

The Parent WIND Telecomunicazioni SpA (hereinafter also WIND or the Parent) is controlled by Wind Telecom SpA through WIND Acquisition Holdings Finance SpA, which wholly owns WIND Telecomunicazioni SpA.

At the present date Vimpelcom Amsterdam BV holds 92.24% of Wind Telecom SpA while WIND Acquisition Holdings Finance SpA holds 7.76%.

The following diagram outlines the structure of the WIND Group at March 31, 2013.



BOARD OF DIRECTORS AND CORPORATE BODIES OF WIND TELECOMUNICAZIONI SPA

Board of Directors ⁽¹⁾

Chairman	Jo Olav Lunder
Directors	Maximo Ibarra, CEO
	Vincenzo Nesci
	Jeffrey David Mc Ghie
	Cornelis Hendrik Van Dalen

Board of Statutory Auditors ⁽²⁾

Chairman	Giancarlo Russo Corvace
Standing auditor	Roberto Colussi
Standing auditor	Maurizio Paternò di Montecupo
Substitute auditor	Lelio Fornabaio
Substitute auditor	Stefano Zambelli

⁽¹⁾ The Shareholders' meeting held on April 12, 2013 re-appointed Mr. Maximo Ibarra, co-opted by the Board of Directors of the Company held on May 11, 2012, as a member of the Board of Directors. Mr. Ibarra will hold office until the expiry of the mandate granted to the current Board of Directors that is the date of the shareholders' meeting of the Company convened for the approval of the Company's financial statements as at December 31, 2013. The Board of Directors meeting held on April 12, 2013 confirmed the appointment of Mr. Maximo Ibarra as Chief Executive Officer of the Company.

⁽²⁾ The Shareholders' meeting held on April 12, 2013 appointed the Board of Statutory Auditors of the Company for a three-year term until the date of the shareholders' meeting convened for the approval of the Company's financial statements at December 31, 2015 Board.

WIND GROUP HIGHLIGHTS AT MARCH 31, 2013

The operating and financial data reported below are taken from the Group's consolidated financial statements as of and for the year ended March 31, 2013, prepared in accordance with the IFRS endorsed by the European Union.

Below are the main indicators of the WIND's Group on March 31, 2013, with a comparison with the corresponding figures for 2012.

Operational data	At March 31, 2013	At March 31 2012
Mobile customers (millions of SIM Cards)	22.0	21.1
Mobile ARPU (euro/month)	12.4	14.7
Fixed-line customers (millions of lines)	3.1	3.2
Fixed-line ARPU (euro/month)	31.3	32.3
Mobile network coverage ⁽¹⁾	99.83%	99.78%
Employees (headcount)	6,952	6,948

⁽¹⁾ As a percentage of the Italian population.

Income statement figures (millions of euro)	2013 3 months	2012 3 months
Revenue	1,229	1,346
EBITDA ⁽¹⁾	461	487
Operating income	149	217
Net finance expense	(207)	(220)
Loss for the year attributable to the owners of the parent	(79)	(40)

⁽¹⁾ Operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets

Statement of financial position figures (millions of euro)	At March 31, 2013	At December 31, 2012
Total assets	14,519	14,523
Equity attributable to		
owners of the parent	1,173	1,200
non-controlling interests	0.1	0.1
Total liabilities	13,346	13,323
Net financial indebtedness	9,189	9,151

Total **revenue** in the three months ended March 31, 2013, reached €1,229 million decreasing 9% over the same period of the previous year. This effect is mainly due to a decrease in revenue from *interconnection traffic* of 45.8%, which the effect was partially offset by the increase in the *revenue from sales*, due to the increase in the sale of mobile telephone handsets and to a shift of sales towards high-range terminals. The *Telephone services* are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 4.5% thanks to an increase in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

EBITDA amounted to €461 million in the first three months of 2013, a decrease of €26 million compared to the corresponding period of 2012.

Operating income for the first three months of 2013 amounted to €149 million, a decrease of €68 million compared with the first three months of 2012. This change is mostly due to the increased competitive pressure and the increase in depreciation and amortization as a result of substantial investments over the last years.

Net finance expense for the first three months of 2013 amounted to €207 million, a decrease of €13 million compared with the first three months of 2012. The decrease is mostly due to the increase in finance income as a result of lower gains on the measurement of embedded derivatives at fair value and the decrease in interest from bank loans resulting from the early repayment of €500 million debt to banks made April, 13 2012 and the consequent decrease in financial expense of hedging derivatives.

Loss for for the first three months of 2013 attributable to owners of the Parent closes at €79 million, compared to a loss of €40 million for the first three months of 2012.

Net financial indebtedness totaled €9,189 million at March 31, 2013, an increase of €38 million over December 31, 2012. The following table sets out the components of net financial indebtedness at March 31, 2013 and the changes which have occurred since December 31, 2012.

<i>(millions of euro)</i>	March 31, 2013	December 31, 2012	Change amount	%
FINANCIAL LIABILITIES				
Non-current financial liabilities				
Bonds	5,906	5,818	88	1.5%
Financing from banks	2,840	2,836	4	0.1%
Financing from other lenders	442	342	100	29.2%
Derivative financial instruments	71	160	(89)	(55.6)%
Current financial liabilities				
Bonds	159	179	(20)	(11.2)%
Financing from banks	103	124	(21)	(16.9)%
Financing from other lenders	161	159	2	1.3%
Derivative financial instruments	33	4	29	n.m.
TOTAL GROSS FINANCIAL INDEBTEDNESS (A)	9,715	9,622	93	1.0%
FINANCIAL ASSETS				
Non-current financial assets				
Derivative financial instruments	231	113	118	104.4%
Financial receivables	51	54	(3)	(5.6)%
Current financial assets				
Derivative financial instruments	173	173	-	0.0%
Cash and cash equivalents	71	131	(60)	(45.8)%
TOTAL FINANCIAL ASSETS (B)	526	471	55	11.7%
NET FINANCIAL INDEBTEDNESS (A-B)	9,189	9,151	38	0.4%

The recognition of financial liabilities reflects the impact resulting from the inclusion of the financial debt amounting to €135 million in the capitalization of the backbone rights of way.

THE ITALIAN TELECOMMUNICATIONS SERVICES MARKET

Industry overview

Italy is Europe's fourth largest telecommunications services market by revenue. The value of the Italian mobile market in 2013 is estimated in approximately €16 billion, a decline over 2012 due to a contraction in voice services that was only partially offset by an increase in multimedia and data services.

The Italian fixed-line market (Voice and VAS) will be worth approximately €6.8 billion in 2013, a decrease over 2012 mainly as a result of a drop in voice traffic revenues. Value added service revenues are estimated to be 9% of this market, with a fall of 3% over the previous year. The value of the Internet access market in 2013 is estimated in approximately €4.1 billion, with the broadband segment accounting for the whole market.

The mobile network telecommunications services market in the first quarter of 2013 was characterized by a strong competition which drove Operators to compete for customers using increasingly more convenient offers and promotions, with the spreading of services for navigating from smartphones, tablets and internet keys. Operators concentrated on "bundle" offers which provide unlimited calls and SMSs linked to navigation with increasing traffic volumes. Operators also continued to propose discounts on charges and the government concessionary tax and incentives on the renewal of devices, with the aim of retaining customers.

Various new items regarded plans for in-mobility navigation: in addition to data services in bundle with the more advanced smartphones and tablets, operators updated their offer by increasing traffic volumes included in the plans. In addition, discounts for new customers arriving from another operator continued. As far as the product portfolio is concerned, operators concentrated their attention on navigation devices: they promoted latest generation tablets, top of the list being Samsung and Apple, and proposed 3G internet keys and routers for navigating at up to 42.2 Mbps, also as a replacement for ADSL for the home or the office.

On the Business market various offers for navigating were launched with large volumes of included traffic (also with unlimited traffic packets and the latest generation smartphones) and advanced services (cloud storage, email, electronic faxes, multimedia content). Finally, new rechargeable tariffs were introduced.

The offers for the Consumer market have been revised, with increasing traffic volumes proposed and new customers arriving through MNP being rewarded with reduced charges. In addition, as in the case of the Business market, the Consumer offer is also enriched with options and plans for navigating from smartphones, internet keys and tablets. The new offers concentrate on an increase in traffic volumes for certain profiles and on navigation from tablets and internet keys with bundles inclusive of traffic, introducing promotions for in-mobility navigation from smartphones and tablets, also with rechargeable plans without limits, and bundles, with internet and smartphone traffic included in the price.

Finally, operators continued to develop innovative services ranging from M-payment for small transactions, M-ticketing for public transport, machine-to-machine, Cloud and Social. In conclusion, various partnerships have been announced: to develop new SIM-based contactless solutions and machine-to-machine services, to offer cash transfers directly by mobile phone and to use Facebook messenger without using the available data traffic.

In the first quarter of 2013 the fixed network telecommunications services market continued to concentrate on bundle offers with calls and ADSL navigation. Operators reiterated their promotions with discounts on the charges for and activation of the ADSL offers and voice and data bundles. The internet offer was enriched by the Ultrabroadband service: it is calculated that by March the coverage of the fiber services (FttC and FttH modality) of Telecom Italia

and Fastweb had reached 2.4 million residential units in 31 cities, to which should be added the coverage of the Metroweb network in Milan.

As far as the Consumer market is concerned, Operators continued their promotions on the ADSL and voice offers, with increasing discounts on activation and charges. The profiles including the ADSL navigation were enriched with additional products and services (multimedia hubs and decoders, SIMs and internet keys for in-mobility navigation, advanced Cloud storage).

The main change in the Business Offer was the introduction of Ultrabroadband services, aimed also at micro one-man businesses and SMEs: these offers stand alongside those concentrating on voice-ADSL bundles and on certain additional services such as indoor Wi-Fi, switchboard management, business continuity services, advanced Cloud storage and infrastructure services.

Mobile telecommunications

The Italian mobile telephone market is the third largest market by revenue after France and the United Kingdom. There are four infrastructure operators in Italy who offer mobile telephone services to the approximately 92.6 million SIMs registered at March 31, 2013, equal to a penetration rate of 156% of the Italian population. The penetration figure is distorted by the widespread use of more than one SIM card by many customers. It is estimated that approximately 81% of Italian mobile customers subscribe to prepaid mobile telephone services which have low customer acquisition costs and higher margins compared to other European countries.

Excluding MVNOs, at March 31, 2013 WIND had an estimated market share of 23.8%, while Telecom Italia and Vodafone had shares of 34.4% and 31.6% and H3G 10.2%.

Fixed telephone services market

Voice

The Italian fixed telephone services market is the fourth largest market by value in Europe after Germany, France and the United Kingdom. Telecom Italia dominates this market even though the liberalization of the market in 1998 enabled other operators to provide indirect voice services and, since 2003, direct fixed telephone services through unbundling. The provision of unbundled voice services to subscribers allows alternative operators such as Infostrada to be the sole owner of the relationship with the customer since that between the user and Telecom Italia no longer holds. For customers finding themselves outside the direct coverage areas of the unbundled service, Infostrada is able to offer the service wholesale. WIND's main market competitors on the fixed telephony market are Fastweb, BT Italia, Vodafone/Teletu and Tiscali.

Internet

By March 31, 2013, broadband internet access had reached a penetration level of 64% of the total fixed lines in Italy. Broadband services in Italy have been rising rapidly since 2001 to reach approximately 13.6 million connections or 23% of the Italian population. Despite the recent significant growth in broadband, Italy is still behind the other European countries, mainly due to the lack of technological infrastructure and the low penetration of personal computers.

TRENDS IN OPERATIONS

Mobile Telephony

At March 31, 2013 WIND had 22 million mobile telephone customers, a rise of 4.2% over March 31, 2012, thus further increasing its market share (calculated by excluding MVNO operators) by 0.6% percentage points to reach 23.8% compared to 22.8% in the first quarter of 2012.

The following table sets out the main indicators of mobile telephony services:

Mobile	2013 3 M	2012 3 M	Change
Customer base (millions of SIM Cards)	22.0	21.1	4.2%
Revenues (millions of euro) ⁽¹⁾	872.9	962.6	(9%)
Voice traffic (billions of minutes)	14.2	13.0	9%
ARPU (Euro/month)	12.4	14.7	(16%)
% ARPU Data/Total ARPU	33.3%	25.9%	

Voice and SMS offers

Consumer voice and SMS offers

WIND has always concentrated its strategy on its customers' communications needs; the choice is between offers for communicating with everyone and offers for speaking to WIND customers, firstly to encourage mobile telephone customers to use their WIND SIM as their main SIM card and secondly to build a WIND community.

More specifically, WIND offers its rechargeable consumer customers two simple tariff plans, which can be customized with options for calls, sending messages and navigating in internet (also using "all inclusive" solutions). With the time, in fact, to respond to its customers' new needs, WIND has launched rechargeable "all inclusive" solutions including voice calls, messages and internet for a single monthly charge. Following up the launch of the *All Inclusive* option at the end of 2011, during 2012 the offering portfolio was extended with *All Inclusive Big* in order to offer more minutes and more SMSs towards everyone and *All Inclusive WIND Unlimited*, which positions WIND as the leading operator on the Italian market and proposes a solution with unlimited calls and messages to the WIND community and internet connectivity. In March 2013 WIND added to its All Inclusive offer with its "king" offer, with 1,000 minutes and 1,000 SMSs towards everyone, thus also arriving at satisfying those people who make an intense use of their mobile phones, and a Special Edition "All Inclusive Digital", with 2 GB of internet traffic to enable customers to get the most out of their smartphone.

WIND's offers embody the values of clarity, simplicity and transparency, those of the business, guaranteeing the freedom to communicate without a connection charge and with the "REAL MINUTE" tariff, meaning a tariff based on the actual number of seconds of the conversation, with no advance increments and with the additional possibility of being able to keep the available number of minutes and messages under control through the use of a dedicated number.

In the first quarter of 2013 the offering portfolio to call the WIND community was also renewed with options containing unlimited minutes and messages and the rechargeable market was anticipated launching *Noi Tutti Unlimited* with unlimited calls to all numbers

Keeping its focus on its customers' needs in terms of innovation and convenience, WIND constantly updated its offers dedicated to its customers choosing a subscription, making the All Inclusive plans richer and more beneficial.

Voice and SMS consumer promotions

WIND continued to pursue its strategy of increasing its customer base through the promotion *Passa a WIND* which is designed to increase the interest of customers of other operators in WIND services and offer them a price benefit regarding the customization of their tariff plan.

WIND offers a 5-year promotion, guaranteeing the customer a long-term "frozen price". At the same time WIND ensures customers flexibility, as people are given the possibility of changing their option from those proposed at any time while still keeping the discount. The aim is to provide customers with the possibility of choosing the solution most suited to their needs whenever they want.

In line with its "closer" positioning to customers, WIND continues to propose the latest items from its portfolio at a price that is beneficial also for its existing customers, with the aim of creating loyalty. In the first quarter of 2013 it extended its available offers with *5 Anni x Tutti* in order to offer its existing customers the promotions being offered to new customers passing over to WIND. In addition, since March 2013 it has given customers the opportunity to activate the Big, King and All Inclusive WIND Unlimited options in promotion with a more beneficial activation fee. WIND continues to give special emphasis to the ethnic sector, proposing increasingly convenient tariffs so that customers find it easier to communicate with their loved ones abroad.

In the final quarter of 2012 WIND additionally introduced the first offer on the market that combines international and domestic calls, as usual under the banner of the transparency of the "REAL MINUTE". *Noi Tutti International* allows customers to use a good 240 minutes of real minutes to call the fixed and mobile numbers of over 20 countries, including those in Western Europe, Romania, Peru and domestic numbers. In addition once the 240 minutes have been used up, WIND guarantees the beneficial tariffs of the *Call Your Country* option without the payment of additional charges. This offer is compatible with all the other WIND options in order to make customers free to use the minutes as they like.

The offers dedicated to the subscription segment continued during the first quarter with two new "Special Edition" promotions for new customers choosing All Inclusive Unlimited and All Inclusive Silver in the SIM Edition and in the Full Edition. With the promotion *5 Anni x Tutti* the benefits for new customers were also extended to existing WIND customers who are therefore able to obtain the exclusive "Special Edition" prices.

Business voice offer

WIND provides a wide range of voice services to its corporate customers, to small and medium businesses (SMEs) and to professionals (the SOHO market), with tailored offers to suit each market segment.

For the large-scale businesses, which often request offers on a competitive basis for their mobile telephony needs, WIND offers customized services suitable for their specific requirements. With its offer based on a business's budget, WIND has increased its package of proposed services based on "all inclusive" charge solutions: customers establish their telephone spending at a company level by identifying traffic packages shared across all their SIMs, thus keeping control of the budget at both a global level and at a single SIM card level. From February 2012 the large WIND market can also benefit from the offers with a pre-set charge thanks to All Inclusive Business in the package version

with minutes, SMSs and internet included and in the Unlimited profiles for an unlimited use of voice, SMS and internet traffic. Large-scale companies are increasingly geared towards offers in prepaid mode so that they can further increase control over their telecommunication expenses.

Faced with an increasing interest in the use of mobile applications (Apps) designed to take certain business processes into mobility, WIND has additionally launched Enterprise Mobility Services through strategic partnerships and vertical system integrator agreements.

For the world of professionals, self-employed workers and small businesses WIND is present in the pull channel (WIND Retail, Dealer, Franchising, large retail chains (GDO)) with its *All Inclusive* subscription offer which includes minutes and SMSs to everybody, unlimited internet from smartphones and unlimited calls between colleagues. The top of the range offer is *All Inclusive Unlimited* which includes unlimited minutes, SMSs and internet. The All Inclusive plans are available in the "SIM edition" version for people who already have a smartphone and in the "Full Edition" version for people who on the other hand want a new smartphone. *All Inclusive Unlimited* includes top of the range smartphones (Samsung III, Nokia Lumia 920, Blackberry Z10 and Sony Experia Z).

The All Inclusive Business mobile portfolio in the SIM Edition and the Full Edition is also available to the world of small and medium businesses who prefer instead the advice of a sales agent in making their choice from a telephonic offer. In addition to the Smart, Silver and Unlimited plans (also available on the pull channel) in January 2013 the All Inclusive Business TOP plan was launched, which in addition to unlimited minutes SMSs and internet in Italy also includes voice, SMS and data traffic abroad (to and from the EU and the USA) and a package of voice minutes towards the EU and the USA. For the low spending profile typical of wage earners an All Inclusive form in rechargeable version has been launched (which does not require the payment of the government concessionary tax); this includes a small bundle of minutes, SMSs and internet at a monthly charge.

In addition, in March 2013 for both the pull channel and the push channel WIND launched "WIND Best Price" with which the customer can always be ensured of having the best WIND price. "WIND Best Price" enables the price of the agreed unlimited tariff plan to be updated when WIND lowers the price of the plan.

Data and VAS offers for consumer and business customers

WIND provides a complete range of in-mobility data and VAS services for smartphones, computers and tablets for both the consumer market and business customers.

Mobile Internet: WIND has continued to increase its growth in Mobile Internet services in a significant manner through the All Inclusive offers for smartphones and by means of innovative promotional models having a term of five years.

As far as the promotions are concerned, WIND offers the Internet NoStop and Mega Unlimited options at a discount to customers who already have an active voice/SMS option, aiming by this to create loyalty in its customers; in addition, either by purchasing a device (tablet, smartphone, internet key) or by paying directly for an activation fee at the sales point, the same options are available at a special price.

For the world of professionals, self-employed workers and small businesses an offer is available for navigating from a PC or a tablet. Two plans are available: Mega Unlimited and Internet No Stop which both provide internet without any time limit. On exceeding the threshold of 10GB/month and 1GB/month respectively navigation speed is reduced to 32kbps. With the Internet Plus and Evo it is additionally possible to choose the best tablets at favorable prices.

BlackBerry. The BlackBerry services offered by WIND are available to both large-scale companies and SMEs and to consumer customers, with the possibility for new customers to include a smartphone in the charge for the pre-

selected tariff plan. In addition, from April 2013 WIND is offering included the new BlackBerry Z10 on both the All Inclusive Unlimited plan (high range - pull channel) and on the Unlimited TOP plan (high range - push channel).

Innovative services

In the first quarter of 2013 WIND continued its strategy of focalizing on digital points of contact for customer management and on the innovative in-mobility payment services which began in 2012.

In January 2013, the MyWIND app reached the significant goal of one million downloads by Apple and Android customers. The MyWIND app offers customers with smartphones and tablets the possibility of managing the WIND offer, activating offers and services, controlling the status of credit and services, finding WIND stores and making top-ups. The App is in constant evolution and is being continuously enriched with new functionalities, accompanied by the WIND Start portal accessible from all mobile phones, from the internet and from tablets, which additionally offer news services, ringing tones, games and access to the social network.

The spreading of the in-mobility purchase of transport tickets via telephone credit (mobile ticketing) continues, with the cities of Bari and Florence being added together with the city and province of Savona.

WIND continued testing NFC technology, carrying out internal trials which by this means enable a mobile telephone instead of a corporate pass badge to be used for the canteen services in contracted restaurants or to make purchases from automatic vending machines. In addition, certain WIND employees can also make payments at specific POSs by means of a virtualized payment card inside the SIM that is managed through the use of a dedicated App.

International roaming

WIND customers can use their mobile telephone services, including SMS, MMS and data services (GPRS, EDGE, 3G, HSDPA), where available, in other countries through roaming facilities guaranteed by agreements with 467 international operators in 205 different countries. "Ad hoc" offers have been conceived to develop roaming data traffic for prepaid and post-payment customers through the use of new daily or weekly options which enable them to avoid the well-known "bill shock" problem and also to use smartphones aboard without changing their usage habits.

Sales and distribution

As part of its strategy, which sees distribution as an increasingly crucial factor for its growth, WIND continues to improve the quality of its distribution channels and strengthen its sales network.

WIND markets its mobile products and services, including SIM cards, scratch cards and handsets, with and without the WIND name, through a series of exclusive sales points which at March 31, 2013 consisted of 166 WIND-owned stores and 482 franchised sales points working exclusively with the WIND brand. The non-exclusive sales network consists of 1,332 WIND dealers, 908 sales points in electronic store chains and 5,458 other sales points in the smaller Italian towns run by SPAL SpA, the largest WIND distributor in terms of sales points.

Customers can also activate offers and services, buy mobile telephones, smartphones and tablets and carry out top-ups through the WIND.it website, paying by credit card or PayPal or by charging their Infostrada or WIND telephonic account.

In addition, applications for the activation of a new telephone line can be made using Infostrada.it.

Part of the services are also sold online through the www.155.it website, while scratch cards are also distributed through small sales points such as tobacconist shops and newsagents.

WIND has decided to extend the distribution of its offers for its business customers to the internet channel, opening an online store for the direct sale of mobile products and services: WINDBusinessShop.it, which in the WINDBusiness.it portal provides both voice and internet services for SOHO customers and small businesses, which can make direct purchases online by themselves.

Fixed Telephony and Internet

WIND provides its consumer and prosumer customers with a vast range of direct and indirect fixed network voice communication services, broadband internet and data transmission services marketed under the Infostrada name. WIND provides broadband service to its direct customers (unbundling) by renting the “last mile” of the access network from Telecom Italia, which is disconnected from Telecom Italia equipment and connected to WIND equipment located in the telephone exchange, and to its indirect customers, to whom WIND sells a service which it purchases wholesale from Telecom Italia. In the areas where WIND does not provide direct access to the network by means of unbundling, customers may opt for the wholesale services.

In response to the current tendency on the Italian fixed communications market, which is seeing increasing fixed-mobile replacement and customers migrating from narrowband to broadband, WIND has concentrated its efforts on achieving growth in the number of subscribers to direct voice services (unbundling) and broadband internet services.

Voice services

WIND’s fixed network voice customer base amounted to 3.1 million subscribers at March 31, 2013, a decrease of 2.7% over March 31, 2012; the direct customers voice component rose by 1.1% over the previous period.

The following table sets out the main indicators of the fixed network:

Fixed-line	2013 3 M	2012 3 M	Change
Customer base (thousands of lines)	3.1	3.2	(2.7%)
of which LLU (thousands) ⁽¹⁾	2,472	2,446	1.1%
Revenue (millions of euro)	334.5	350.5	(5%)
Voice traffic (billions of minutes)	4.4	5.0	(10%)
ARPU (Euro/month)	31.3	32.3	(3%)

⁽¹⁾ Including Virtual LLU.

Internet and data

WIND offers a vast range of internet and data transmission services to both its consumer and business customers. At March 31, 2012 WIND had 2.2 million broadband internet customers and 0.04 million narrowband subscribers.

The following table sets out the main internet access indicators:

Internet and data services	2013 3 M	2012 3 M	Change
Internet Customer Base ('000)	2,264	2,282	(1%)
of which Narrowband ('000)	36	71	(49%)
of which Broadband ('000)	2,228	2,211	1%
of which LLU ('000)	1,871	1,818	3%
of which Shared Access ('000)	15	17	(11%)

Package and converging services

WIND is one of the leading suppliers in Italy of internet services, fixed-line voice and services having an integrated infrastructure and a network coverage that extends throughout the country, thus allowing it to offer integrated service packages that combine these products.

To respond to the needs of customers who require a single solution for their telephonic and broadband internet connectivity requirements, WIND has launched three new All Inclusive offers, *All Inclusive*, *All Inclusive L* and *All Inclusive XL*, which run alongside the *Absolute ADSL* offer and which, for a pre-set monthly payment, envisage a fixed voice line with different associated tariff plans which depend on the package selected by the customer and unlimited broadband connectivity. The validity of this commercial decision has been confirmed by the increasing number of LLU direct customers who have chosen an offer including voice and broadband internet services. WIND's positioning in this market has been consolidated through the periodic launch of new promotions on these offers.

As confirmation of the success of the *Super All Inclusive* offer in February 2013, two new converging offers have been launched which complete the portfolio: *Super All Inclusive Smart* and *Super All Inclusive Unlimited SIM Edition*, which offer customers the possibility of choosing the most suitable combination from fixed and mobile telephones and ADSL for their communication needs at a single price.

As part of converging services, WIND offers a triple benefit to customers who choose both fixed and mobile telephony. With *Infostrada's Passa a WIND*, customers who activate a new Infostrada contract and decide to pass over to WIND, keeping the same telephone number with a new rechargeable, combine the advantages of the Infostrada dedicated promotion and the WIND dedicated promotion with an exclusive offer reserved for them: *Raddoppia le Ricariche per 6 mesi*. In addition, the benefits increase even more with the new *All Inclusive Double* promotion, as customers who choose the *All Inclusive* option on the rechargeable SIM and an Infostrada *All Inclusive* plan have an extra discount on their telephone account.

A new converging promotion *Internet Everywhere*, aimed at customers who want to navigate from home with ADSL and in mobility with an internet key or with a tablet, was launched at the end of 2012; this offers the *Internet No stop* option or the *Mega Unlimited* option to all new Infostrada customers at a reduced price. These package and converging services are also available for Business customers in "Affari" version on the pull channel, at the same price before VAT.

In November 2012 WIND enriched its *All inclusive Affari* offer which is dedicated to the pull channel (stores) with unlimited calls between fixed and mobile numberings of customers' telephone accounts.

Business voice and data offer

WIND provides PSTN, ISDN and VoIP fixed-line network voice services, data services, VAS and connectivity services to business users. More specifically, WIND's offer is directed towards the business sector, capitalizing on the experience gained with ENEL and developing new voice and data services for companies in the large business market, also by means of a dedicated call center. For customers of this nature WIND is also able to tailor its offer to the specific needs expressed by the customer and, where asked, to the requirements needed for taking part in tenders. Direct access to the network is assured to large-scale businesses by radio link, by direct optic fiber connections or by direct access; in areas where direct access is not available, dedicated lines leased from Telecom Italia are used.

In addition, WIND is also extending its offer for the large business market by means of cloud services, broadening its commercial proposal with ICT and managed services solutions on both fixed and mobile networks. WIND has set up a partnership with Google under which WIND proposes business collaboration and communication solutions to its business market based on the Google Apps Cloud solution. As the first result of this collaboration, an innovative solution has been launched which provides voice, SMS, navigation, Gmail and collaboration services in a single package.

For companies in the large business segment WIND has proposed an offer, WIND Cloud for Businesses, consisting of a rich catalogue of data center and connectivity services that are capable of satisfying the needs of these customers and being available in extremely short time periods. This type of offer will be enriched even further in order to establish a portfolio of Cloud services characterized by flexibility and rapidity.

In February 2013 WIND renewed its PSTN fixed network offering portfolio for small and medium businesses which is geared towards the market of self-employed businessmen and in particular professional firms with between one and four fixed lines (analogue or 2 ISDN). The whole *All Inclusive Business* portfolio is available under WIND network coverage on Active Line and Non-active Line.

The offers available for the push channel (agents and agencies) are the same as those offered by the pull channel. In order to respond to all the needs of business customers calling for a single solution for their telephony and ADSL connectivity requirements, WIND has launched three offers, *All Inclusive Business*, *All Inclusive Business L* and *All Inclusive Business XL*. These plans offer unlimited ADSL connectivity, unlimited calls between colleagues and a cap on the number of traffic minutes included, different or rising, to satisfy all needs.

The new offers are presented to new customers at a favorable price, in promotion for 5 years.

Some of the new portfolio's plans provide even more benefits with *Super All Inclusive Business*, the converging solution which provides customers with the possibility of choosing the most suitable combination for their communication needs from fixed telephones and ADSL with the *All Inclusive Business L* and *All inclusive Business XL* plans and mobile, at an even more advantageous price for both components.

To complete the offer a navigation pack known as the *Internet Pack* is proposed on an installment sale basis; this consists of a Wi-Fi router and an internet key or, with the same sales formula, *Internet & Video Pack* which in addition to the Wi-Fi router and internet key also contains an IP video camera to enable customers to navigate and video control their professional environment.

For SMEs, WIND offers a wide range of off-the-shelf dual-play (voice + internet) products with tariff plans based on VoIP technology: *One Company* offers from 2 to 8 voice lines, with ADSL internet access, while the most recently launched offer, *Infostrada Impresa*, subsequently renamed *WIND Impresa*, offers from a minimum of 6 to a maximum of 60 voice lines, with SHDSL access. In addition, together with the *WIND Impresa* offer customers may subscribe to a service for the leasing, management and maintenance of telephone switchboards.

With the converging *WIND Business One Office* offers WIND is aiming at the self-employed market and in particular professional firms with one or two fixed lines (analogue or ISDN) and at least one SIM card where there is the need for the firm to communicate with staff from both fixed and mobile telephones, through voice and internet services.

The *One Office* portfolio envisages a fixed offer *WIND Business Evo* which consists of a flat bundle on voice and data and tariff plans addressed to self-employed businessmen with limited telephony needs: *WIND Business ADSL Evo* and *WIND Business ADSL Plus* with telephony on a usage basis and ADSL flat, respectively at 20 Mbps and 8 Mbps.

To complete the offer a navigation pack known as the *Internet Pack* is proposed on an installment sale basis; this consists of a Wi-Fi router and an internet key or, with the same sales formula, *Internet & Video Pack* which in addition to the Wi-Fi router and internet key also contains an IP video camera to enable customers to navigate and video control their professional environment. The *One Office* offer therefore consists of five fixed tariff plans (one for ISDN), which taken together with certain of the existing mobile tariff plans form the converging offer: *WIND Business Plus*, *WIND Business Start*, *WIND Business Start ISDN*, *WIND Business Evo*, *WIND Business ADSL Evo* and *WIND Business ADSL Plus*.

Convergence enables customers to obtain a series of benefits, including discounts on charges and free of charge "business" calls, regarding both the fixed and mobile telephony component.

As far as internet access services are concerned, WIND offers a complete range of value added services, some of which such as IP Static, II level Dominion and the Evolution Mail and Messaging services are included in the ADSL offer, while others are optional and are chargeable. Among the main chargeable services offered is the Certified Electronic Mail service which through the use of pre-established legal standards certifies the dispatch of emails from a specified electronic mail box, giving them legal value.

In addition WIND provides customers with a dedicated national toll-free number.

Since November 2012 WIND has been increasing its focus on offers for self-employed businessmen sold through the pull channel (stores) with the launch of the *All Inclusive Affari* offers enriched by unlimited calls from colleagues.

Sale and distribution of fixed network services

The main sales channels for fixed network voice and ADSL services for consumer users are stores and the toll-free number 159. The Infostrada portal is a fundamental distribution channel in the internet access market for consumer customers.

For acquiring business customers WIND also uses dedicated outbound sales agencies whose staff are trained to make a customers' needs emerge and to be capable of recognizing these needs, and to propose products and services that are best suited for meeting them. Call centers also make outbound calls to potential customers chosen using business intelligence tools.

Interconnection services

WIND offers its wholesale services to other operators, making available its network capacity through these services, and manages incoming and outgoing call termination traffic on its network for domestic and international operators. WIND is paid a fee by the other operators for managing the calls which terminate on its mobile or fixed network. In the same way WIND is required to pay a termination tariff to other operators for the calls which terminate on their mobile or fixed telephone networks. Interconnection tariffs from mobile to mobile, from mobile to fixed, from fixed to mobile and from fixed to fixed are regulated by AGCOM.

Customer care service

WIND's customer service activities are coordinated by the Customer Management unit, which is organized by customer type: mobile telephony, fixed telephony (which also includes the internet segment) and business customers. In order to provide customers with a made-to-measure service for certain particularly important customer segments such as the ethnic communities WIND also provides its customer assistance service in other languages.

WIND has enterprise call centers dedicated to its customers in Roma and Ivrea, with internal agents assigned to each customer in order to provide high levels of service to its strategic customers. Call centers dedicated to residential customers are located throughout the country.

Since 2012 the Infostrada customer service has a consolidated operational organization, focusing on the new customer activation phase so that customers may be accompanied by specialist staff towards an effective and precise acquisition and activation of all the available services.

WIND has intensified the integration of its (mobile and fixed) customer care services and its sales structure in order to provide customers with an assistance service spread throughout the country, including by means of local sales points, thus making customer support more direct and transparent from the time before the commercial acquisition. In the last part of the year WIND also initiated work on assisting fixed and mobile broadband customers using synergic and dedicated technical assistance structures.

After several months of testing, local presence using WIND personnel belonging to Regional Communications Committees (Co.Re.Com.) was initiated in 2012. The aim of this initiative is to improve the settlement of disputes during the procedure for attempting to achieve mandatory reconciliation. In March 2013 this presence had a coverage of over 82% of the potential population concerned.

From its websites (www.WIND.it, www.infostrada.it, www.WINDbusiness.it and www.WINDgroup.it) WIND offers all the information needed about its offers and about the Group, consistent with its values of clarity, simplicity and transparency.

By means of customer reserved areas WIND provides an integrated billing system with the possibility to pay bills, amend and manage the offer, activate services, top-up SIM cards and configure telephones.

The functionality to be found in the E-Care Web areas are available, for smartphones and tablets, by using the MyWIND app and on the Mobile Start.WIND.it portal.

Given the increasing spreading of Social Networks and the rise in the number of WIND customers interacting through the Group's Facebook and Twitter profiles, WIND is dedicating considerably more attention to managing customers, contacts and reports which arrive by way of these channels.

Through a segmentation and analysis of customer needs, the Customer Relationship Management (CRM) function identifies the targeted commercial steps that need to be taken on the basis of a customer's specific needs, setting up and implementing promotional programs with the objective of improving customer satisfaction, increasing the associated value and ensuring loyalty over time.

The constant evolution of loyalty programs, enriched by new partnerships spread throughout the country has led to an increase in the enjoyment of benefits and services by subscription customers. Planning promotional activities dedicated to customers who receive the newsletter enables customer relationships to be consolidated using low cost but more effective communication tools.

Marketing and Branding

WIND's multibrand strand strategy initiated last year was consolidated in the first quarter of 2013; this is aimed at reinforcing the feeling that the two fixed and mobile telephony names, Infostrada and WIND, belong to one big Group, WIND.

Consistent with this the return of Aldo, Giovanni and Giacomo to the television screen in January sees the testimonial trio of both Infostrada and WIND acting in a series of situations dedicated to the two brands alternatively. And it is precisely with Infostrada that the new TV format "Painters" has begun; for the first time this links the trio to the fixed telephony name and brings the comical, miming characteristics of the testimonials to the fore, placing the product at the heart of the commercials and creating amusing and paradoxical situations.

TV continues to be the main medium for investment with a strong advertising presence, but other media are also used with consistent planning as always. The television campaigns are also accompanied by investments in digital advertising and by a constant presence on the main Social Media.

The trio are also protagonists on the radio, with an Infostrada topic planned for a three-week period. From the end of February an important flight of national posters went on the air for two weeks in over 50 provincial capitals, including Rome and Milan.

WIND's attention to the ethnic target was confirmed during the same period; this action is dedicated to the specific planning of headings in foreign languages.

WIND was also present at the cinema during the first quarter of the year, with product placements in two Italian box-office hits: "Il Principe abusivo" starring Alessandro Siani and "Ci vuole un gran fisico" starring Angela Finocchiaro.

WIND is also the leading sponsor of the AS Roma football team and it is contracted to sponsor all the matches played by the team until June 30, 2013.

In the first quarter of 2013 WIND Business launched its new TV campaign format. This consists of a creative solution on the same sets as those used for the WIND Consumer on-air commercials, a painter's workshop where Aldo, Giovanni and Giacomo dress up as an artist, his assistant and an art critic, shifting the viewer's attention to the commercial's backstage to communicate, in a typical work environment, the Business offer dedicated to the world of small businesses, craftworkers and self-employed businessmen. In the two TV flights planned present the *All Inclusive Unlimited* mobile business offer and the exclusive *WIND Best Price* formula, which includes an automatic and free of charge update to the tariff with the best WIND price.

Supporting the television campaign, investments are planned for two radio campaigns and a web campaign which follow in the steps of the "backstage" creative format developed for television.

NETWORK

WIND has developed an integrated network infrastructure providing high-capacity transmission capabilities and extensive coverage throughout Italy. As of March 31, 2013, WIND mobile network covered 99.83% of the Italian population while WIND UMTS/HSPA network covered 95.39% of the Italian population.

WIND 21/5.8 Mbps HSPA service covered approximately 73.7% of the Italian population, for remaining population WIND offers 7.2/1.4 Mbps service.

Fixed-line networks are supported by 21,640 kilometers of fiber optic cable backbone in Italy and 4,736 kilometers of fiber optic cable MANs as of March 31, 2013. The network uses a common system platform, WIND "intelligent network," for both mobile and fixed-line networks. Network platform has been upgraded to provide it with a uniform IP network platform, which provides additional capacity. The integrated nature of operations allows to offer subscribers mobile, fixed-line and Internet product bundles and VAS. WIND has also approximately 469 roaming agreements with other Italian and international telecommunications operators around the world.

Fixed-Line Network

WIND fixed-line network consists of an extensive fiber optic transport network with over 21,640 kilometers of transmission backbone, 4,736 kilometers of fiber optic cable MANs linking all capitals of Italian provinces and other major cities in Italy, a radio transmission network with approximately 15,803 radio links in operation. The national voice switching network consists of a NGN/IMS network composed by 4 Call control nodes 4 Media Gateway Controller and 42 Trunking Gateway. The national network is supported by NGN (Next Generation Network) dedicated to interconnection with international operator composed by 2 Media Gateway Controller and 8 Trunking Gateway. WIND is able to handle all the traffic on proprietary backbone infrastructure, with little need to rent additional capacity from third parties.

As of March 31, 2013 WIND has 1,457 LLU sites for direct subscriber connections, with a capacity of approximately 3.27 million lines. The company has interconnections with 613 SGUs, which allows to provide carrier pre-selection and carrier selection access for indirect subscribers throughout Italy, as well as WLR services. WIND Internet network consists of an aggregated data network with more than 168 points of presence, broadband remote access servers for ADSL direct and indirect access Internet services and for virtual private network corporate services, more than 10 network access servers for dial-up access Internet services and EDGE routers for direct Internet access corporate services.



Mobile Network

WIND offers mobile services through 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. GSM network also supports EDGE capabilities. EDGE is an upgraded technology that enables to offer increased data speeds and VAS over GSM network and also to reduce the cost of handling mobile data traffic. WIND also offers mobile services over UMTS network, a mobile technology that provides even greater bandwidth than GSM network, using HSDPA technology to provide enhanced speeds for data transmission and mobile Internet services.



The following table provides an analysis of WIND's GSM/GPRS and UMTS/HSDPA networks as of March 31, 2013.

GSM/GPRS	Units
Radiating sites	13,667
BSC (Base Station Controllers)	323
MSC (Mobile Switching Centers)	53
HLR (Home Location Register)	10
SGSN (Service GPRS Support Node)	11
GGSN (Gateway GPRS Support Node)*	12
UMTS	
Node B	12,028
RNC (Radio Network Controller)	58
MSC-Server	15
MGW (mediagateway)	17
SGSN (Service GPRS Support Node)	14 (11 SGSN dual access)

* shared with UMTS core network

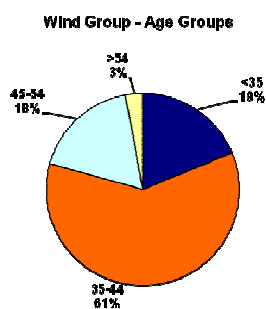
HUMAN RESOURCES

At March 31, 2013, the Group had a workforce of 6,952 employees structured as follows.

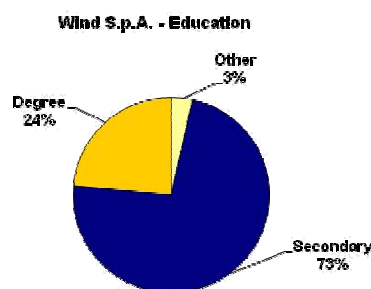
	No. of employees at		Average No. of employees in	
	03/31/2013	03/31/2012	2013	2012
Senior Managers	141	149	142	149
Middle Managers	596	577	597	577
Office Staff	6,215	6,222	6,193	6,220
Total WIND Group	6,952	6,948	6,932	6,947

During 2013, WIND Telecomunicazioni SpA and WIND Retail Srl hired a total of 75 employees and 20 employees left.

The following charts summarize personnel statistics relating to the subsidiary WIND Telecomunicazioni SpA and Italian subsidiaries.



Average age: **39.5**



Graduated w/o Call Center: **27.7%**

Female presence is at 47%.

In terms of geographical allocation of personnel WIND sees over 70% of personnel distributed among the offices in Milan, Rome, Naples and Ivrea.

Sites	03/31/2013	03/31/2012
Milano*	12.5%	12.6%
Ivrea	9.3%	9.4%
Roma	33.6%	33.6%
Napoli*	17.8%	17.9%
Altro	26.8%	26.5%
Totale	100.0%	100.0%

(*) Rho site is included in Milano and Pozzuoli site is included in Napoli

The following table shows the personnel distribution by department:

Departments	03/31/2013	03/31/2012
Network	31.8%	34.4%
Information Technology	6.0%	5.9%
Customer Care	27.3%	25.9%
Marketing & Vendite	23.6%	23.1%
Staff	11.2%	10.7%
Totale	100.0%	100.0%

Organization

The organizational structure of the Human Resources Department and the Legal Affairs Department was redefined in January 2013, with the role of Compliance Officer of the WIND Group being assigned within this framework.

Consistent with the Network Transformation project, a component of the alternative plan to outsourcing, a new operational model relating to the Network Regions and the Operations & Maintenance functions, was set up in March 2013 as part of Network Operations.

Development and training

Development

As a continuation of 2012 activities, the new WIND selection process for recent new graduates got under way in the first quarter of 2013; this envisages the in-sourcing of the assessment center activities which were previously run by outside suppliers and the use of new online tools.

Following the definition of the new values "Trust, Fast, Focus, Ambition, Make It Happen" by senior management in September 2012, an ad hoc communication campaign was initiated through the Group's intranet, and this is still in progress. This activity enables the Group to communicate the meaning of the new values to the whole of its population and make people aware of them. The new values and the organizational conduct associated with them will be assessed as part of the annual performance appraisal.

Training

A total of 2,973 man-days of training were given in 2013, relating mainly to two main areas:

- the completion of all the activities required to implement the multiskill training projects dedicated to Network Operations, as support for the organizational change involving the technical population of the Field Operations and Operation & Maintenance and Technical Customer Management areas. More specifically, training

activities for the Field were planned and initiated in March 2013, with a timetable being proposed which will involve the population until the end of the year. Approximately 120 training sessions have been scheduled which will involve over 600 people in one or more courses together with on the job training organized and managed by the areas;

- the start and finish of the collection of training requirements for the 2013 Offer relating to the Institutional Training Master Plan, which consists of largely renovated projects based on WIND's values – Trust, Fast, Focus, Ambition, Make It Happen. Steps relating to the design of the course are currently in progress, together with the planning of the sessions; the timetables of the activities are planned to start during the next few months.

Finally, institutional training activities are currently being completed; since last year these have involved middle managers in Customer Experience and Managerial Excellence projects.

Industrial relations

Several meetings with the trades unions were held during the first quarter to illustrate the new operating model for the management and maintenance of the network as well as the other cost containment initiatives envisaged by the trade union agreement of October 10, 2012.

As regards the National Labor Contract (CCNL), the negotiations between Asstel and the unions came to an end at the beginning of February with the signing of the renewal agreement, effective until December 31, 2014 and subsequently approved by the workers' assemblies. On an economic level, for 2013 the renewal agreement provides for the payment of a one-off amount in April and an increase (in two installments) in the contractual minima.

As far as the regulatory section is concerned, in addition to giving greater weight to local company bargaining, the new CCNL introduces further elements of flexibility, with particular reference to the management of working hours (especially in the customer care structures) and the introduction of new technologies. Also worthy of note are additional new rules for tenders which strengthen the principles of legality and ethics in order to safeguard the sector.

REGULATORY FRAMEWORK AT MARCH 31, 2013

Fixed-line market

Antitrust activity

On August 5, 2011 the Italian antitrust authority AGCM published the commitments made by Telecom Italia as part of the A428 " WIND-Fastweb/Telecom Italia conduct" enquiry. On April 20, 2012 the AGCM notified its rejection of the commitments proposed by Telecom Italia; the proceeding therefore followed the procedure for determining Telecom Italia's possible guilt, and on December 12, 2012 the results of the enquiry were published. This was followed by a hearing before the authority's council on February 6, 2013. The completion of the proceeding, originally planned for March 30, 2013, was postponed to April 30, 2013 through an AGCM provision of March 20, 2013.

The proceeding concerning the A426 enquiry "Tender for the allocation of fixed telephony and IP connectivity services" was completed with the acceptance of the commitments proposed by Telecom Italia, which were published on July 9, 2012, thereby bringing the proceeding in question to an end.

The publication in October 2012 of the means by which Telecom Italia will implement the commitments it presented as part of the A426 proceeding brought this to a final conclusion.

In September 2012 the AGCM published the new procedure for presenting commitments; this confirms the need for a timely presentation to avoid transforming the scheme into a means of extending the timescale of the proceeding.

As part of proceeding I/757 which began in September 2012 on the basis of a petition filed by the service provider BIP against TIM, Vodafone and WIND and which relates to an alleged agreement to restrict competition aimed at blocking access to the market by BIP, on January 23, 2013 the AGCM made a request for information to which WIND provided its reply, agreed with the Group's workgroup.

On the basis of petitions arriving from WIND, Fastweb and Vodafone, the European Commission Competition Directorate initiated a detailed investigation in July to determine whether there was a benefit for Telecom Italia in terms of state aid arising from the joint venture between the Province of Trento and the incumbent operator which provides for the construction of optical fiber infrastructure. If this benefit is confirmed, the measure would represent state aid pursuant to article 107 of the Treaty on the Functioning of the European Union (TFEU), and its compatibility would have to be assessed in the light of the EU's orientation on broadband.

On April 4, 2013 the antitrust authority initiated an enquiry into a possible agreement in the market of wholesale technical services accessory to the fixed telephony network on the basis of a petition filed by WIND in 2012.

Telecom Italia's Reference Offers

The following proceedings for the revision of the Telecom Italia offers have been published in 2013:

- Resolution 141/12/CIR (WLR) published on January 11, 2013 initiated the proceeding for assessing Telecom Italia's WLR offer for 2013;

- Resolution 642/12/CONS (Bitstream) published on January 11, 2013 initiated the proceeding for assessing Telecom Italia's copper Bitstream offer for 2013;
- Resolution 221/13/CONS (ULL) published at the end of March 2013 initiated the proceeding for assessing Telecom Italia's copper ULL offer for 2013;
- following a series of detailed investigations into the conditions of the fixed market, Resolution 643/12/CONS was published on January 11, 2013 approving the economic conditions for Telecom Italia's I WLR offer for 2012;
- Resolution 10/13/CIR published on March 20, 2013 approved the economic conditions for Telecom Italia's Bitstream NGA and VULA offer for 2012;
- Resolution 9/13/CIR published on March 20, 2013 approved the economic conditions for Telecom Italia's NGAN Infrastructure offer for 2012.

Fixed access network

NGN

Following the issue of Resolution AGCOM 1/12/CONS, which establishes the regulatory requirements for access services to new generation networks headed by Telecom Italia, on March 19, 2012 Telecom Italia published the offers for 2012 for NGAN access services (markets 4 and 5). On May 18, 2012 AGCOM initiated public consultations on those offers as discussed in the paragraph on Telecom Italia's Reference Offers. As stated in the preceding paragraph, Telecom Italia's 2012 NGA Reference Offers for Bitstream NGA and VULA and infrastructures have been approved. Approval of Telecom Italia's end to end NGAN Reference Offer is pending.

With Resolution 91/13/CONS on February 13, 2013 AGCOM combined the proceedings initiated with Resolutions 41/12/CONS (for establishing a cost model for determining the price of wholesale access services to Telecom Italia's fiber network and to identify the areas where sustainable competition exists for setting the price of wholesale broadband access services) and 42/12/CONS (to assess the regulatory effect of introducing new transmission techniques such as vectoring in the development of new generation networks) with the proceeding initiated with Resolution 390/12/CONS on "the identification and analysis of the fixed network access services market".

On March 27, 2013, the public consultation on the approval of the economic and technical conditions of Telecom Italia's reference offer was published with Resolution 221/13/CONS; this offer relates to wholesale disaggregated access services to the network and metal sub-networks and to co-location services.

In addition, on February 28, with Resolution 239/13/CONS, AGCOM initiated a public consultation on the symmetric regulation on access to physical network infrastructures.

AGCOM proposes the following framework:

1. *Symmetric obligations for access* by operators to the optical fiber termination section and to the base infrastructures in the conveyance section.
2. *Obligations of transparency and non-discrimination*: to provide access to the termination segment and the conveyance section under transparent and non-discriminatory conditions, publishing an offer valid for 2014 on the website that must contain the terms and conditions for: i) access to the conveyance section, ii) access to the termination segment and iii) access to the accessory resources. The offer must specify the technical characteristics, the tariffs and the means of supply and reinstatement guaranteed by adequate SLAs and penalties.

3. *Price obligations*: application of fair and reasonable prices for providing access services to the termination segment and the conveyance section (except for Telecom Italia which instead remains subject to prices geared towards cost, which will be established by the BU-LRIC model as part of the market analysis proceeding as per resolution 390/12/CONS):
 - a. The tariffs for the access services to the termination segment are charged by means of a monthly fee and activation charge.
 - b. The tariffs for the access services to the conveyance section are on the other hand charged in terms of a one-off charge and a fee deriving from a multi-year IRU contract.

Market analysis – Fixed Access Markets 1, 4 and 5

On September 12, 2012, with Resolution 390/12/CONS the authority initiated the third cycle of market analyses for the fixed network access markets (nos. 1, 4 and 5 of those identified in European Commission Recommendation 2007/879/EC): i) the market for access to the public telephone network at a fixed location for residential and non-residential customers; ii) the market for wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location; iii) the market for wholesale broadband access. The proceeding will last 150 days.

As part of the proceeding AGCOM carried out a quantitative and qualitative information gathering exercise at operators in October and November 2012 using suitable questionnaires.

The text of the public consultation on the identification and analysis of the fixed network access services markets (nos. 1, 4 and 5 of those identified in European Commission Recommendation 2007/879/EC) was published on AGCOM's website on April 4. Publication in the Official Gazette is currently awaited.

Fixed termination

Resolution 229/11/CONS establishes that from January 1, 2012 TDM termination tariffs shall be symmetric at an SGU level, while IP termination tariffs shall be symmetric and established as the result of two proceedings, one technical on IP interconnection and the other economic to define the BULRIC model.

The final decision on the technical guidelines was adopted by AGCOM on December 14, 2011 with Resolution 128/11/CIR.

As regards the cost model (BULRIC) for the determination of the prices of the interconnection services in IP modality (preliminary enquiry initiated on December 15, 2011), AGCOM has completed the relative public consultation 349/12/CONS.

By way of a communication of February 7, 2013, the European Commission initiated a more detailed phase together with AGCOM and BEREC ("Phase II Investigation") to be carried out over a three month period and concerning the draft decision notified to AGCOM at the end of the consultation phase.

The proceedings regard the symmetric values of TDM termination (traditional interconnection) for 2012: i) Telecom Italia Termination: the value of fixed termination on the Telecom Italia network at the various interconnection levels were decided with Resolution 92/12/CIR; and ii) OLO TDM termination: public consultation 421/12/CONS was initiated on this matter. With Resolution 187/13/CONS the resolution approving 2012 fixed termination was published

on March 13, 2013; this relates to the alternative operators and confirmed for 2012 an asymmetric termination for alternative operators with respect to Telecom Italia's values.

In May 2012 the Council of State annulled the previous sentence of the Regional Administrative Court (TAR) (December 2011) which upheld Telecom Italia's appeal against Resolution 179/10/CONS relating to fixed termination prices for 2010 (fixed termination cap for OLOs at 0.57 eurocents/minute).

WIND has filed an extraordinary appeal against 229/11/CONS; this appeal is currently pending.

Regulatory measures in respect of IP interconnection and interoperability for the provision of VoIP services

With resolution 128/11/CIR published on December 14, 2011 the technical guidelines for IP interconnection were issued. AGCOM with public consultation 12/13/CONS noted that migration from TDM to IP will require, for its completion, an additional period than assumed in resolution no. 229/11/CONS (taken in the resolution 128/11/CIR). WIND was published in October 2012 its range of reference IP.

It is planned to set up a technical discussion table among operators for an exchange of views between operators in order to define the detailed specifications, at the interconnection committee of the Economic Development Minister, together with a monitoring unit (UPIM) managed by AGCOM for any issues which may emerge during the migration period. In particular, with the commission not having reached an agreement on the technical specifications of interconnection, AGCOM in a suitable technical discussion table determined the points still open during the summer at a specific technical discussion table. The operators then met to transpose everything into technical specifications at the interconnection commission of the ministry for Economic development Minister.

Migration and pure number portability procedure

With resolution 31/11/CIR in May 2011 AGCOM initiated a public consultation regarding provisions concerning retention prohibition and the management of the customer cooling-off period in the procedures for the transfer of fixed network users. It is expected the final decision by the Authority.

On February 2012, with Resolution 7/12/CIR the provisions on the economic conditions of fixed network number portability previously included as part of specific technical discussions were submitted for consultation. By means of resolution 92/12/CIR the question of the one-off NP costs was concluded.

Technical discussions are currently taking place among operators at AGcom to update the migration procedures, taking into account LLU subloop services, the possibility of managing virtual operators in the fixed line segment and the need to manage the migrations onto the Telecom Italia NGA offers in the fixed line segment.

In addition, talks are also being held between AGcom, operators and consumers' associations on the revision of the legislation on distance contracts and on the revision of withdrawal legislation (including the cooling off period). These discussions, which will be followed by a public consultation, therefore relate to a revision of resolution 664/06/CONS and resolution 274/07/CONS (on the subject of migration).

Was recently published on March 14, 2013, a public consultation 202/12/CONS, relates to revision of Resolution 664/06/CONS.

Public consultations of the European Commission and of BEREC

The main European consultations initiated in 2012 in which WIND took part were as follows: i) public consultation on the BEREC report on broadband promotion; ii) high level principles for non-discrimination; iii) special tariff services; iv) effects of fixed-mobile replacement in the definition of the markets; v) medium-term BEREC strategy, vi) "Guidelines on the application of Article 3 of the Roaming Regulation - WHOLESale ROAMING ACCESS", and vii) decision on the means of implementing Decoupling and Local Break Out (LBO).

On July 31, 2012 BEREC's three public consultations on Net Neutrality, for which WIND had sent its contribution, were concluded: i) Draft Guidelines for Quality of Service in the scope of Net Neutrality, ii) Draft report "An assessment of IP-interconnection in the context of Net Neutrality", and iii) Draft report "Differentiation practices and related competition issues in the scope of Net Neutrality". In July the European Commission published an on-line questionnaire on Net Neutrality, touching the most important aspects that had emerged during the recent debates on the subject as well as those downstream from the various public consultations published on the subject by both the Commission and BEREC and more specifically traffic management, privacy, transparency and switching, on which WIND has sent its contribution.

Also in July, WIND sent its positioning as a reply to the European Commission's public consultation on initiatives to reduce the cost of developing broadband structure in Europe;

In October, WIND sent its contribution to the public consultation set up by BEREC for its 2013 Work Programme and the public consultation on the revision of BEREC's Common Position on Wholesale Broadband Access, Wholesale Leased Line and Wholesale Local Access.

In January 2013 WIND sent its comments in reply to the European public consultation on the revision of the List of Relevant Markets, while in February 2013 the company intervened, by sending its comments, in the Article 7a procedure of the European Commission regarding AGCOM's decision relating to tariffs on the markets for collection, termination and call transit on single public telephone networks at a fixed location in Italy.

In March 2013 the EU Commission initiated a consultation having the objective of receiving input from all the stakeholders involved as preparation for the next opinion of the Radio Spectrum Policy Group (RSPG) entitled "Strategic Challenges facing Europe in addressing the Growing Spectrum Demand for Wireless Broadband", which has importance given the objectives of the Vice President of the European Commission (Neelie Kroes) concerning the management and harmonization of the radio spectrum until 2020.

Mobile market

Market Analysis - Mobile Termination

With regard to mobile termination, Resolution 621/11/CONS is effective; this is the outcome of the third cycle of market analyses initiated with Resolution 670/10/CONS and completed with the publication of the decisions as per Resolution 621/11/CONS on January 4, 2012.

AGCOM has carried out the third cycle of Market Analysis and the following are the main decisions on the structure of the mobile termination market established by Resolution 621/11/CONS: i) the relevant market keeps the same perimeter (4 distinct markets: one for each of the networks of the 4 mobile operators), ii) at the time of the monitoring AGCOM highlights that there are no MVNOs with infrastructural ranges of their own numbering,, iii)

confirmation of the notification of SMPs for the 4 MVNOs, each on its own reference market, iv) confirmation for the 4 SMPs having the following requirements: Access and use of specific network resources (public OR), Transparency (public OR), Non-discrimination (public OR), Regulatory accounting, Price control (defined on the basis of the BU LRIC cost model adopted with resolution 60/11/CONS), and v) the termination prices determined for the price cap are calculated by using the BULRIC model adopted with resolution 60/11/CONS, which includes a reasonable remuneration rate for the capital employed (WACC) of 10.4% (this was 12.4% in 667/08/CONS)

With resolution 621/11/CONS, AGCOM confirmed the termination amounts determined in the previous resolution (667/08/CONS) until June 30, 2012 and established the following glide path.

<i>Eurocent/minutes</i>	As from 1/07/2012	As from 1/01/2013	As from 1/07/2013
H3G	3.5	1.7	0.98
Telecom Italia	2.5	1.5	0.98
Vodafone	2.5	1.5	0.98
WIND	2.5	1.5	0.98

Despite the fact that the Lazio Regional Administrative Court upheld the appeals filed by operators against the extension of the asymmetry period for H3G established by Resolution 621/11/CONS, against the compliance statement issued by AGCOM with Resolution 11/13/CONS, the economic mobile termination values established in the glide path of Resolution 621/11/CONS remain confirmed. Operators are also expected to appeal against Resolution 11/13/CONS.

Messaging services – SMS termination

As part of the 670/10/CONS proceeding, relating to mobile network voice termination services (market 7) and with specific indication as part of Resolution 621/11/CONS, AGCOM is continuing its review of SMS services with specific Market Analysis for SMS termination services. In this context, in February 2012 AGCOM submitted an information questionnaire to the mobile operators and virtual operators of mobile network services in order to collect the data needed for the market analysis.

The SMS termination services market is not at present a regulated market in Italy. The market analysis currently being carried out, therefore, corresponds to the first cycle of analyses performed for that market. On September 26, by means of resolution 420/12/CONS AGCOM submitted for consultation its proposal for a decision on the identification and market analysis of SMS termination services. The proposed results envisage: i) the definition of a relevant market for each operator that offers SMS termination services; ii) the geographical size of the national market; iii) the non-susceptibility of the relevant markets thus defined to *ex ante* regulation. The consultation was brought to a close in October 2012. The final decision is expected to be announced in the first quarter of 2013.

In March 2013, following the positive opinion of the EC on AGCOM's draft decision not to regulate this market, AGCOM issued its final decision confirming the NON-REGULATION of the WS SMS termination services market. The undertaking made by AGCOM (also encouraged by AGCM) remains to monitor the market and the existence of effective commercial dynamics for a suitable differentiation between the relative prices.

Monitoring of market and competition changes relating to virtual mobile operators

In February, 2012 AGCOM began monitoring market and competition changes relating to virtual mobile operators (understood in the broad sense as providers of mobile services, infrastructural or otherwise), by sending an information questionnaire to various parties in the market.

This activity has its origins in the contents of Resolution 621/11/CONS regarding mobile termination relating to virtual mobile operators. The timing of this proceeding has not yet been determined.

In October 2012 AGCOM updated the information it had collected, again through the use of questionnaires.

Roaming Regulation

On May 30, 2012 the European Council approved the text of the III Roaming Regulation. The inclusion of structural solutions designed to increase the level of competition in the provision of international roaming services was confirmed as well as the requirement to supply a wholesale access offer for roaming services. The gradual reduction of both the wholesale and retail cap was also confirmed from July 1, 2012, with the inclusion of retail caps also for the provision of data services.

The new roaming regulation was published on June 30, 2012; this introduces measures for the structural separation of roaming services from the supply of domestic services (decoupling, plus Local Breakout and LBO for data). This separation will become operational on July 1, 2014 and by way of an Implementing Regulation published on December 14, 2012 the Commission establishes the principles underlying the way it will be carried out. In addition, steps to establish the necessary technical specifications are also planned, to be coordinated by the Commission itself in the first part of 2013. The results of this will be made known at the end of the first half of 2013.

In March 2013 BEREC published new guidelines on the implementation of the new regulation (except for articles 3, 4 and 5 which specifically discuss wholesale access and the separate sale of international roaming services, which are the subject of specific guidelines currently being drafted).

Frequencies

Paragraph 2bis, article 14 of Decree Law no. 179 of October 18, 2012, in conjunction with Conversion Law no. 221 of December 17, 2012 on "Further urgent measures for the growth of the country", published in the Official Journal of December 18, 2012, states the following: *"Within sixty days of the effective date of the conversion law of this decree, by way of a regulation of the Minister for Economic Development, the measures to be undertaken by telecommunications operators to minimize any interference between the ultra mobile broadband services in the 800MHz band and domestic television reception equipment, and the means of doing this, shall be established. Any measures which may be needed to be taken on domestic television reception equipment to mitigate interference shall be managed through the use of a fund set up by telecommunication operators who have been assigned frequencies in the 800 MHz band and run privately by the operators concerned, in accordance with the requirements of the regulations. The parameters for setting up said fund and the related contribution made by the operators shall be established according to principles of proportion, transparency and non-discrimination. By way of its own provision, the Ministry for Economic Development shall each quarter reformulate such contributions on the basis of the costs of intervention actually incurred and reported by the individual operators".*

Public consultation resolution 550/12/CONS on the procedure for the allocation of the frequencies available in the television band for terrestrial digital radio broadcasting systems was published in November 2012.

WIND sent Agcom its reply in December 2012.

Public consultation resolution 553/12/CONS on the use of frequencies in the 3600-3800 MHz band by terrestrial systems capable of providing electronic communication services was published in December 2012. The Authority intends to obtain comments, items of information and documentation concerning the use of these frequencies through this consultation. The aim of this activity is to check the actual market demand for these applications and the conditions for use in the light of evolving technological developments and technical legislation. WIND is currently preparing its reply document. WIND sent its comments in February 2013. The results of the proceeding are currently awaited.

Resolution 628/12/CONS, the public consultation resolution, was published in January 2013; this regards a revision of the measures for issuing rights of use for the frequencies available for 26 and 28 GHz broadband radio networks.

Besides receiving comments, sets of information and documentation concerning the revision of the measures for issuing rights of use for the frequencies still available for the 26 and 28 GHz broadband radio networks, which are already the subject of the measures of which lastly those in Resolution195/04/CONS, the aim of this resolution is also to check the effective market demand for the frequencies in question, as well as the conditions of use in the light of current legislation and technological developments.

Other Issues

National Numeration Plan

On May 18, 2012 Decision 52/12/CIR was published which revises the rules for the National Numeration Plan. Among the main points is the decision that specifies that the routing numbers to be used for mobile communications will still have three figures and that the new RgNs may be requested in decades 74X and 75X. Mobile numbers will be seen with a 4-figure prefix.

At the present moment technical discussions have started up again between operators and AGCOM to analyze the need for any further additions to the National Numbering Plan.

Recently, on March 15, 2013, a public consultation began on the rules for testing alphanumeric aliases for identifying the calling line in SMS/MMS.

Universal Service

AGCOM has established the net cost of the universal service for 2005 and the relative fees to be paid by operators with Resolution 139/12/CIR.

In addition, in August 2012 AGCOM sent an information request relating to the proceeding for determining the universal service cost for 2006.

Copyright

In July 2011 was approved by AGCOM a draft regulation concerning the protection of copyright on electronic communications networks, subject to public consultation (Decision No 398/11/CONS) for which WIND defined a positioning, prepared the response document and participated in a special hearing held on October 3, 2011.

The objectives set by AGCOM relating, among others, the promotion of a legal, promotion of agreements between manufacturers and distributors, the identification of criteria and procedures for the adoption of collective licensing. Finally confirmed the prediction of a proceeding before reporting AGCOM.

Investigation of mobile VoIP, P2P and Net Neutrality

WIND has defined an internal positioning and has prepared the response document to the consultations on the safeguards of consumer protection and competition for services in VOIP and peer-to-peer mobile network (resolution no.39/11/CONS) and the issue of net neutrality (resolution no.40/11/CONS), which is given particular attention to need for rationalization and efficient use of network resources.

On December 20, 2011, with resolutions 713/11/CONS and 714/11/CONS AGCOM published the results of the Net Neutrality, Peer to Peer and VoIP consultations as per resolutions 39/11/CONS and 40/11/CONS. These documents contain the various positions emerging from the consultations.

Main new consumer protection regulations

On April 24, 2012 resolution 154/12/CONS on the quality and charter of mobile and personal communication services was published; this is the result of a technical discussion table which saw the collaboration of the Ugo Bordoni Foundation (in the following also FUB), AGCOM and the mobile operators. This resolution repealed and replaced the preceding resolution 104/05/CSP, whose subject was a series of indicators used as the basis to check the quality of the data/voice services in mobility. In addition, resolution 151/12/CONS, which provides additions to resolution 244/08/CSP on fixed position internet quality, has become effective.

In December 2012, by means of resolution 588/12/CONS, AGCOM initiated a consultation on changes to the Directive on the quality of contact telephone services in the electronic communications sector, as already approved by means of resolution 79/09/CSP. WIND has prepared a reply paper to this consultation, which is expected to highlight the very many critical matters connected with setting new standards for customer assistance services.

In conjunction with fixed and mobile operators, by means of Resolution 376/11/CONS AGCOM has also initiated the setting up of a single data base available for online consultation by end user that relates to the commercial coverage of the Italian territory for broadband wired-wireless services. The aim is basically to realize an access application integrated with the various coverage data bases available at the fixed and mobile network operators, which is to be enhanced with information on the coverage, speed and commercial offers of each operator.

With resolution no. 326/10/CONS the regulator has provided for the following measures concerning user protection: i) alert systems and expense limits for data traffic, ii) termination of the data link to the achievement of the remaining available credit or traffic, iii) the availability of systems for controlling data traffic costs, iv) the predetermination of upper monthly data traffic consumption thresholds, v) information to be provided to customers regarding the above measures, and vi) the availability of tariff plans for voice and SMS services that are in line with EC standards and related disclosure to customers.

With resolution 73/11/CONS the Authority intervened on the question of user protection, adopting the Regulation on compensation applicable in settling disputes between operators and users. This Regulation establishes the criteria for

calculating the compensation due to the user and additionally identifies the specific circumstances for automatic compensation.

In January 2012 the Authority commenced the process of amending resolution 664/06/CONS on the Regulation on distance contracts. Following the hearings and the formal lodging of the documents with AGCOM, the operators drew up a Code of Conduct (currently still in draft) in order to improve the present "distance" sale process and strengthen the minimum guarantees to provide assurance to customers during the contact phase preceding the "distance contractual procedure". On June 2012 AGCOM set up an ad hoc technical discussion table as part of which the revision of resolution 664/06/CONS and resolution 274/07/CONS (on the issue of migration) will be included considering the overlapping of matters of common interest. Concluding the proceedings of the discussion group, with Resolution 202/13/CONS, published on March 14, 2013, AGCOM initiated a public consultation on the proposal for changes to the regulation on distance contracts. WIND is currently preparing its comments in reply.

Privacy

Legislative Decree no. 69/12, through which Italy introduced European Directive 136/2009 on Telecommunications (the e-Privacy Directive) into national law, introduced significant changes in the privacy field.

By means of the new article 32-bis of Legislative Decree no. 196/2003 (the Privacy Code) the decree introduces the definition of "data breach" and the requirement to notify the authority and subscribers if there is a violation of the user's personal data, and in any case if the data are jeopardized. The Privacy Guarantor has issued a provision that sets out the guidelines for implementing data breach regulations and has initiated a public consultation on certain points of the document. brought to a conclusion at the start of November, as a result of which an implementation provision is to be issued.

The decree also made changes to article 122 of the Privacy Code by introducing an opt-in framework for e-cookies, separating these into "technical cookies" (e.g. session monitoring, performance of electronic authentication, etc.), which are needed to actually provide the service and are not subject to that framework, and "non-technical cookies" (i.e. monitoring of websites visited, collection of user's data, etc.), which are used for marketing purposes and being especially critical in terms of privacy require the prior, informed consent of the customer/user. In this scenario, the Privacy Guarantor has initiated a public consultation addressed to all website managers and the most representative consumers' associations in order to obtain contributions and suggestions on the matter to assist in drawing up a subsequent implementation regulation.

MAIN PENDING LEGAL PROCEEDINGS AT MARCH 31, 2013

WIND is subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings at March 31, 2013, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable. In addition, WIND is subject from time to time to tax audits and investigations, some of which may in the future result in legal proceedings.

Proceedings Concerning Electromagnetic Radiation

Proceedings are still pending, in particular before the administrative courts, regarding the installation of base radio stations. These are mainly the result of current concerns about electromagnetic radiation. The claims are of an undeterminable monetary amount.

Proceedings with agents

Certain proceedings are still pending at different judicial stages relating to the termination of agency agreements, in which the agents seek payment from WIND of certain indemnities provided for by Italian legislation; these include the termination indemnity, the collection indemnity, the indemnity in lieu of notice and the indemnities pursuant to article 1751 of the Italian Civil Code.

WIND/ITALGO SPA

Italgo SpA (formerly Delta SpA), initiated proceedings against WIND based upon an alleged breach by WIND of certain provisions of an agreement signed with Delta SpA for the provision of goods and services (the "Commercial Agreement"). Italgo SpA sought the termination of the Commercial Agreement and other related agreements, as well as the payment by WIND of a penalty of €3.3 million, a refund of €23 million (the price paid for Delta SpA shares) and additional damages (to be quantified during the proceedings) for the costs which Italgo SpA alleges to have incurred as a result of WIND's alleged breach of contract. Italgo SpA alternatively sought a reduction in the purchase price agreed by the parties to be settled by offsetting this amount against an amount of €9 million payable by Italgo SpA to WIND. On March 19, 2010, an injunction was issued by the Court in Rome ordering WIND to pay a total of €3 million. WIND has appealed this decision. At present, a negative result with respect to the March 19, 2010 injunction is considered probable.

WIND/Crest One SpA

Crest One SpA ("Crest One") has initiated proceedings against WIND for: (i) the refund of an amount of approximately €16 million, previously paid to WIND by Crest One as value added tax under a distribution agreement entered into between Crest One and WIND, and (ii) the compensation of damages alleged to have been suffered by Crest One (the amount of which damages is to be determined following the trial) pursuant to the payment of such value added tax by Crest One to WIND. The Court of Rome has rejected Crest One's claims.

On March 22, 2012 the Court of Rome declared Crest One's bankruptcy. WIND has claims before the bankruptcy Court against Crest One for contractual breach for non-payment and incorrect application of the VAT regime by Crest One.

Cres one appealed the payment and the case will now be decided by the Court of Appeal of Rome. The bankruptcy trustee has accepted WIND's for admission of euro 7,670,000 as part of liabilities to be examined during bankruptcy.

Proceedings concerning Misleading Advertising and Unfair Commercial Practices

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 €5 million for each proceeding (amount redefined by Law no. 135/12 August 2012). To date, in 2011 received a single fine of €90 thousand connected to a case initiated in 2009; during 2011, AGCM initiated other five actions against WIND in this regard (three of which already have been settled through agreed non-monetary undertakings, one has been closed with a fine of €200 thousand and one closed without any fine). In 2012 AGCM initiated three new proceedings (one settled with a fine of €70 thousand, one closed without any fine and one still pending).

Audit on dealers' fees

In 2001 WIND received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. The court of the second instance found in favour of WIND for 1999 and 2001 while it found against WIND for 2000. These cases currently remain pending before the supreme court. The dispute can be quantified in approximately €6 million plus penalties and interest.

WIND-Antitrust Authority (Proceeding no. A/357)

With a decision dated August 3, 2007, the Antitrust Authority closed proceeding no. A/357 by condemning WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market due to the discriminatory application of economic and technical conditions for fixed-to-mobile on net (fixed-mobile calls originating and terminating on the WIND network) and intercom calls (the calls on the internal telephone lines of a business customer) in favor of their respective internal divisions and to the detriment of fixed-line competitors. WIND was fined a sum of €2 million and ordered to cease the discriminatory behaviour. WIND appealed against the decision by seeking the annulment before the Administrative Court of Lazio (the Lazio TAR). The Lazio TAR rejected WIND's appeal on January 29, 2008 and the related decision was published on April 7, 2008. On September 17, 2008, WIND filed an appeal before the State Council, seeking the annulment of the above Lazio TAR's decision, the hearing for which, following various delays, occurred on March 15, 2011.

On April 20, 2011, the State Council published the final ruling by rejecting the WIND's appeal. On June 4, 2012, WIND filed an appeal before the Court of Cassazione for the annulment of the above State Council's ruling. The merit discussion hearing is scheduled on May 14, 2013.

WIND-Antitrust Authority (Proceeding no. I/757)

On September 13, 2012, the Italian Competition Authority (or the "ICA") opened an anti-trust investigation in respect of three Italian MNOs (Telecom Italia, Vodafone and WIND) and carried out dawn raids on their premises. The investigation was started following a claim by an Italian MVNO, Bip Mobile. Bip Mobile claimed an alleged agreement between Telecom Italia, Vodafone and WIND which was aimed to prevent the entry of Bip Mobile into the Italian mobile market through collusive pressure on the multi-brand point of sales starting as of June, 2012. WIND is

currently defending its conduct against Bip's Mobile's allegations and cooperating with ICA in accordance with usual legal and procedural steps. We expect that the investigation will be completed by the end of September, 2013 which could result in an ICA decision of condemnation and fine of the MNOs or the dismissal of Bip Mobile's claim.

Pursuant to Section 15 of Italian Law no. 287 of October 10, 1990, as amended, in the most serious cases, depending on the gravity and the duration of the infringement assessed, the ICA may decide to impose a fine up to 10% of the turnover of each undertaking over the previous fiscal year.

OUTLOOK

The ongoing cost structure optimization process reasonably allow to believe that the Group will continue to consolidate its performance and its competitive position during 2013, despite the continuing challenging macroeconomic environment and the unfavourable regulatory developments. The efficiency and cost optimization processes will be further enhanced by the integration with the VimpelCom Group, mainly through the achievement of synergies.

During the course of 2013 the Group will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market while continuing to build upon the commercial success experienced during the course of 2012 in the mobile, fixed-line voice and internet segments as well as continuing to develop its convergent business model.



WIND GROUP

**Consolidated interim financial statements as of and
for the three-month period ended March 31, 2013**

FINANCIAL STATEMENTS AND NOTES THERETO



BOARD OF DIRECTORS AND CORPORATE BODIES OF WIND TELECOMUNICAZIONI SPA

Board of Directors ⁽¹⁾

Chairman	Jo Olav Lunder
Directors	Maximo Ibarra, CEO Vincenzo Nesci Jeffrey David Mc Ghie Cornelis Hendrik Van Dalen

Board of Statutory Auditors ⁽²⁾

Chairman	Giancarlo Russo Corvace
Standing auditor	Roberto Colussi
Standing auditor	Maurizio Paternò di Montecupo
Substitute auditor	Lelio Fornabaio
Substitute auditor	Stefano Zambelli

⁽¹⁾ The Shareholders' meeting held on April 12, 2013 re-appointed Mr. Maximo Ibarra, co-opted by the Board of Directors of the Company held on May 11, 2012, as a member of the Board of Directors. Mr. Ibarra will hold office until the expiry of the mandate granted to the current Board of Directors that is the date of the shareholders' meeting of the Company convened for the approval of the Company's financial statements as at December 31, 2013. The Board of Directors meeting held on April 12, 2013 confirmed the appointment of Mr. Maximo Ibarra as Chief Executive Officer of the Company.

⁽²⁾ The Shareholders' meeting held on April 12, 2013 appointed the Board of Statutory Auditors of the Company for a three-year term until the date of the shareholders' meeting convened for the approval of the Company's financial statements at December 31, 2015 Board.

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CONSOLIDATED INCOME STATEMENT

<i>(thousands of euro)</i>	Note	2013 3 months	2012 3 months
Revenue	4	1,207,445	1,313,078
Other revenue	5	22,047	33,124
Total revenue		1,229,492	1,346,202
Purchases and services	6	(638,943)	(725,325)
Other operating costs	7	(42,418)	(42,808)
Personnel expenses	8	(87,242)	(90,828)
Operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets		460,889	487,241
Depreciation and amortization	9	(312,650)	(271,130)
Reversal of impairment losses/(impairment losses) on non-current assets	10	366	135
Gains/(losses) on disposal of non-current assets		156	1,054
Operating income		148,761	217,300
Finance income	11	17,173	6,712
Finance expense	11	(224,623)	(226,532)
Foreign exchange gains/(losses), net		585	(226)
Profit/(Loss) before tax		(58,104)	(2,746)
Income tax	12	(21,222)	(37,660)
Loss from continuing operations		(79,326)	(40,406)
Profit/(Loss) for the period		(79,326)	(40,406)
Non-controlling interests		(24)	(33)
Profit/(Loss) for the period attributable to the owners of the parent		(79,302)	(40,373)
Earnings per share (in euro) – basic and diluted:	18		
Earning per share from Continuing operations		(0.54)	(0.28)
Earning per share from Discontinued operations		-	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands of euro)</i>	Note	2013 3 months	2012 3 months
Profit / (Loss) for the period		(79,326)	(40,406)
Other comprehensive income			
Cash flow hedges		64,879	(7,393)
Income tax relating to components of other comprehensive income		(12,518)	5,659
Other comprehensive income for the period, net of tax	17	52,361	(1,734)
Total comprehensive income for the period		(26,965)	(42,140)
Total comprehensive income attributable to:			
<i>Owners of the parent</i>		(26,941)	(42,107)
<i>Non-controlling interests</i>		(24)	(33)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of euro)</i>	Note	At March 31, 2013	At December 31, 2012
Assets			
Property, plant and equipment	13	3,505,821	3,599,279
Intangible assets	14	8,818,448	8,740,122
Financial assets	15	300,309	187,615
Deferred tax assets	16	223,679	219,647
Total non-current assets		12,848,257	12,746,663
Inventories		33,472	24,118
Trade receivables		1,169,144	1,195,981
Financial assets	15	175,208	173,322
Current tax assets		8,086	8,070
Other receivables		214,405	244,511
Cash and cash equivalents		70,754	130,543
Total current assets		1,671,069	1,776,545
TOTAL ASSETS		14,519,326	14,523,208
Equity and Liabilities			
Equity			
Issued capital		147,100	147,100
Share premium reserve		751,887	751,887
Other reserves		(40,208)	(92,569)
Retained earnings		314,497	393,799
Equity attributable to owners of the parent	17	1,173,276	1,200,217
Non-controlling interests		104	128
Total equity	17	1,173,380	1,200,345
Liabilities			
Financial liabilities	20	9,259,435	9,155,589
Employee benefits		53,838	53,764
Provisions	19	152,191	149,048
Other non-current liabilities		139,177	142,800
Deferred tax liabilities	16	706,322	703,251
Total non-current liabilities		10,310,963	10,204,452
Financial liabilities	20	455,470	466,524
Trade payables		1,703,020	1,789,616
Other payables		845,532	845,944
Tax payables		30,961	16,327
Total current liabilities		3,034,983	3,118,411
Total liabilities		13,345,946	13,322,863
TOTAL EQUITY AND LIABILITIES		14,519,326	14,523,208

CONSOLIDATED CASH FLOW STATEMENT

<i>(thousands of euro)</i>	2013	2012
	3 months	3 months
Cash flows from operating activities		
Profit / (Loss) from continuing operations	(79,326)	(40,406)
Adjustments to reconcile the loss for the period with the cash flows from/ (used in) operating activities		
Depreciation, amortization and (reversal of impairment losses)/impairment losses on non-current assets	312,014	271,258
Unrealized exchange difference	-	-
Net changes in provisions and employee benefits	3,217	(11,155)
(Gains)/losses on disposal of non-current assets	(156)	(1,054)
Changes in current assets	44,647	19,366
Changes in current liabilities	(121,653)	12,499
Net cash flows from operating activities	158,743	250,508
Cash flows from investing activities		
Acquisition of property, plant and equipment	(88,570)	(102,583)
Proceeds from sale of property, plant and equipment	624	1,322
Acquisition of intangible assets	(73,845)	(90,625)
Net cash flows used in investing activities	(161,791)	(191,886)
Cash flows from financing activities		
Changes in loans	(34,914)	(35,515)
Dividends paid	-	-
Net cash flows used in financing activities	(34,914)	(35,515)
Net cash from discontinued operations	-	-
Net cash flows for the period	(37,962)	23,107
Cash and cash equivalents at the beginning of the period	108,716	395,276
Cash and cash equivalents at the end of the period	70,754	418,383

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

<i>(thousands of euro)</i>	2013	2012
	3 months	3 months
Income tax paid	(20)	-
Interest paid on loans/bonds	(204,560)	(229,922)
Interest paid on hedging derivative instruments	(31,943)	(30,942)
Interest received on hedging derivative instruments	4,599	6,973

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<i>(thousands of euro)</i>	Equity attributable to the owners of the parent				Equity attributable to the owners of the parent	Non-controlling interests	Equity
	Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)			
Balances at December 31, 2011 (Reported amounts)	147,100	751,887	(129,576)	517,595	1,287,006	218	1,287,224
IAS 19 revised adoption effect			3,391		3,391		3,391
Balances at January 1, 2012	147,100	751,887	(126,185)	517,595	1,290,397	218	1,290,615
Total comprehensive income for period	-	-	(1,734)	(40,373)	(42,107)	(33)	(42,140)
- Profit for the period	-	-	-	(40,373)	(40,373)	(33)	(40,406)
- Cash flow hedges	-	-	(1,734)	-	(1,734)	-	(1,734)
Transactions with equity holders	-	-	-	-	-	-	-
Balances at March 31, 2012	147,100	751,887	(127,919)	477,222	1,248,290	185	1,248,475
Balances at December 31, 2012 (Reported amounts)	147,100	751,887	(95,861)	393,799	1,196,925	128	1,197,053
IAS 19 revised adoption effect			3,292		3,292		3,292
Balances at January 1, 2013	147,100	751,887	(92,569)	393,799	1,200,217	128	1,200,345
Total comprehensive income for the period	-	-	52,361	(79,302)	(26,941)	(24)	(26,965)
- Loss for the period	-	-	-	(79,302)	(79,302)	(24)	(79,326)
- Cash flow hedges	-	-	52,361	-	52,361	-	52,361
Transactions with equity holders	-	-	-	-	-	-	-
Balances at March 31, 2013	147,100	751,887	(40,208)	314,497	1,173,276	104	1,173,380

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013

1 INTRODUCTION

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".

The following are the main offices of the Parent, WIND Telecomunicazioni SpA ("WIND" or the "Parent").

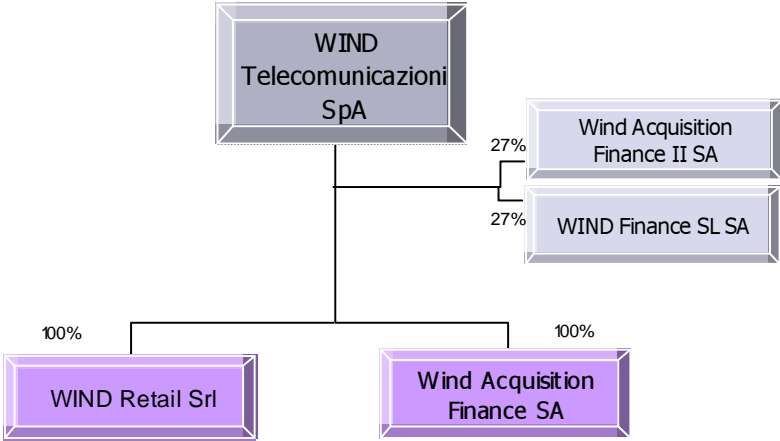
Registered office	Via Cesare Giulio Viola, 48 - 00148 Rome - Italy
Secondary office	Via Lorenteggio, 257 - 20152 Milan - Italy

The Parent WIND Telecomunicazioni SpA is controlled by Wind Telecom SpA through WIND Acquisition Holdings Finance SpA, which wholly owns WIND Telecomunicazioni SpA.

At the date of the present consolidated interim financial statements Vimpelcom Ltd holds 92.24% of Wind Telecom SpA while WIND Acquisition Holdings Finance SpA holds 7.76%.

The consolidated interim financial statements as of and for the three-month period ended March 31, 2013 include the financial statements of the Parent WIND Telecomunicazioni SpA and those of its subsidiaries.

The following diagram outlines the structure of the WIND Group at March 31, 2013.



During the three-month period ended March 31, 2013 the Group earned a loss before tax of €58,104 thousand (€2,746 thousand for the three-month period ended March 31, 2012) and a loss for the period from continuing operation of €79,326 thousand (€40,406 thousand for the corresponding period). This result reflects the decline in operating income due to increased competitive pressure and higher depreciation and amortization.

The WIND Group will continue to consolidate its performance and its competitive position in 2013, notwithstanding the challenging economic environment and the unfavourable regulatory development. The efficiency and cost optimization processes will be further supported by the integration with the VimpelCom Group, mainly through the deployment of achievable synergies.

During 2013 WIND Group will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market while continuing to build upon the commercial success experienced during the course of 2012 in the mobile, fixed-line voice and internet segments as well as continuing to develop its convergent business model.

The growth prospects of the Group in 2013 will be supported and sustained by the necessary financial investments which will be in line with the investments made in 2012.

2 GENERAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated interim financial statements of WIND Telecomunicazioni SpA as of and for the three-month period ended March 31, 2013 have been prepared on a going concern basis and in accordance 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.

The structure and content of these consolidated interim financial statements comply with the disclosure requirements of IAS 34 *Interim Financial Reporting*. The consolidated interim financial statements have been prepared in accordance with IAS 1, while the notes thereto have been drawn up in a condensed 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, 2012.

The consolidated financial statements as of and for the year ended December 31, 2012 are available on request at the registered office of the Parent and on the website www.windgroup.it.

The income statement and statement of comprehensive income figures provided relate to three months ended March 31, 2013.

The accounting standards adopted by the Group are the same as those used for the preparation of the consolidated financial statements as of and for the year ended December 31, 2012.

The preparation of these notes 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 income statement, the statement of comprehensive income, the statement of financial position, 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 these estimates are based. Management's significant judgments on the application of Group accounting policies and the main causes of uncertainty of these estimates are the same as those applied in the preparation of the consolidated financial statements as of and for the year ended December 31, 2012.

Income tax is recognized on the basis of the taxable income for the period and applicable laws and regulations, using tax rates in force at the end of the reporting period.

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.

For the purposes of comparison, balances in the statement of financial position and income statement and the detailed tables in the notes have been reclassified where necessary. These reclassifications, for which details may be found in note 6, do not affect the Group's loss for the period or equity.

These consolidated financial statements were approved by the Parent's Board of Directors on May 7, 2013.

2.2 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, 2013 and thereafter.

Accounting standards, amendments and interpretations adopted from 1 January 2013

The following is a brief description of the new standards and interpretations applicable and adopted by the Group in the preparation of the consolidated interim financial statements at March 31, 2013.

➤ *Amendments to IAS1 – Presentation of Items of Other Comprehensive Income*

The amendment requiring companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The application of this amendment did not have any significant effects on the measurement of items in the Group's financial statements.

➤ *IFRS 13 – Fair Value Measurement*

The accounting standard clarifying the determination of the fair value for the purpose of the financial statements and applying to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures

based on fair value. The application of this new standard did not have any significant effects on the Group's financial statement.

➤ *Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities*

The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. The application of these amendments had no significant effect on the disclosures presented in this Interim report nor on the measurement of the related items.

➤ *Amendments to IAS 19 - Employee Benefits*

The amendment modifies the requirements for recognising defined benefit plans and termination benefits. The main changes concerning defined benefit plans regard the recognition of the entire plan deficit or surplus in the balance sheet, the introduction of net interest expense and the classification of net interest expense arising from defined benefit plans.

In accordance with the transitional rules included in paragraph 173 of IAS 19, the Group applied this amendment to IAS 19 retrospectively from 1 January 2013, adjusting the opening balance sheet at 1 January 2012 and 31 December 2012 as well as the income statement for 2012 as if the amendment had always been applied.

In more detail the Group has calculated the following retrospective effects resulting from the adoption of the amendment to IAS 19:

<i>(thousands of euro)</i>		At January 31, 2012	
Effects on the Balance Sheet	Published values	Effects resulting from the application of IAS 19	Restated values
Employee benefits	58,108	(4,677)	53,431
Deferred tax liabilities	739,404	1,286	740,690
Total equity	1,287,224	3,391	1,290,615

<i>(thousands of euro)</i>		At December 31, 2012	
Effects on the Balance Sheet	Published values	Effects resulting from the application of IAS 19	Restated values
Employee benefits	58,305	(4,541)	53,764
Deferred tax liabilities	702,002	1,249	703,251
Total equity	1,197,053	3,292	1,200,345

➤ *Annual Improvements to IFRSs – 2009-2011 Cycle*

The changes affected the IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 in this regard it should be noted that the adoption of the related amendments did not have any effect in presentation, recognition and measurement of items of the Group's financial statement.

Accounting standards, amendments and interpretations adopted by the European Union and not early applied by the Group

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 financial statements at March 31, 2013.

STANDARD/INTERPRETATION	EU endorsement
IFRS 10 – Consolidated Financial Statements	January 1, 2014
IFRS 11 – Joint Arrangements	January 1, 2014
IFRS 12 - Disclosure of Interests in Other Entities	January 1, 2014
IAS 27 – Separate Financial Statements	January 1, 2014
IAS 28 – Investments in Associates and Joint Ventures	January 1, 2014
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	January 1, 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12 - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2014

Accounting standards, amendments and interpretations adopted by the European Union

At the date of these notes relevant EU bodies have not completed the process necessary for the endorsement of the following standards and interpretations.

STANDARD/INTERPRETATION	IASB EFFECTIVE DATE
IFRS 9 – <i>Financial Instruments</i>	January 1, 2015
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	January 1, 2014

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, 2013 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 reporting date is also considered when determining whether there is control or not.

There are no changes in the scope of consolidation compared to the consolidated interim financial statements as of and for the three-month period ended March 31, 2012.

The investments in WIND Finance SL 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.

4 REVENUE

The following table provides an analysis of **Revenue** for the three months of 2013 compared with the corresponding period of 2012.

<i>(thousands of euro)</i>	2013	2012	Change	
	3 months	3 months	Amount	%
Revenue from sales	57,464	30,514	26,950	88.3%
- Telephone services	1,012,200	1,059,580	(47,380)	(4.5)%
- Interconnection traffic	99,975	184,432	(84,457)	(45.8)%
- International roaming	8,011	8,163	(152)	(1.9)%
- Judicial authority services	1,695	1,756	(61)	(3.5)%
- Other revenue from services	28,100	28,633	(533)	(1.9)%
Revenue from services	1,149,981	1,282,564	(132,583)	(10.3)%
Total	1,207,445	1,313,078	(105,633)	(8.0)%

The item shows a decrease for the three months of 2013 of 8%. This effect is mainly due to a decrease in revenue from *interconnection traffic* of 45.8%, which the effect was partially offset by the increase in the *revenue from sales* of 88.3%.

The *Telephone services* are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 4.5% thanks to an increase in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

The increase in the *revenue from sales* is due to the increase in the sale of mobile telephone handsets and to a shift of sales towards high-range terminals.

The *interconnection traffic* revenue decrease mainly due to the combined effect of the following factors:

- a fall in revenue from domestic interconnection on the mobile network and the fixed network and from international interconnection due to the reduction of unit tariffs, only partially offset by an increase in mobile traffic volumes;
- a decrease in narrowband internet traffic mainly following a general shift towards broadband technology;
- higher interconnection traffic revenue from VAS Not Voice due to an increase in traffic volumes.

International roaming revenue fell mainly as the effect of the general reduction in tariffs only partially offset by an increase in international roaming volume in the internet component.

5 OTHER REVENUE

Other revenue amounts in total to €22,047 thousand in the three months of 2013 (a decrease of €11,077 thousand over the corresponding period of 2012) and refers principally to the revisions of estimates made in previous years.

6 PURCHASES AND SERVICES

The following table provides an analysis of **Purchases and services** for the three months of 2013 compared with the corresponding period of 2012.

(thousands of euro)	2013	2012	Change	
	3 months	3 months	Amount	%
Interconnection traffic	160,815	236,780	(75,965)	(32.1)%
Customer acquisition costs	63,121	68,338	(5,217)	(7.6)%
Lease of civil and technical sites	55,120	55,078	42	0.1%
Purchases of raw materials, consumables, supplies and goods	73,138	36,198	36,940	102.0%
Lease of telecommunication circuits	17,724	20,493	(2,769)	(13.5)%
Advertising and promotional services	39,015	59,453	(20,438)	(34.4)%
Outsourced services	35,568	35,789	(221)	(0.6)%
Other services	19,162	22,076	(2,914)	(13.2)%
Lease of local access network	95,525	107,633	(12,108)	(11.2)%
Maintenance and repair	26,671	22,101	4,570	20.7%
Utilities	30,817	26,996	3,821	14.2%
National and international roaming	7,607	7,104	503	7.1%
Consultancies and professional services	7,129	9,710	(2,581)	(26.6)%
Change in inventories	(9,354)	854	(10,208)	(1195.3)%
Other leases and use of third party assets	10,252	9,851	401	4.1%
Bank and postal charges	2,838	2,919	(81)	(2.8)%
Transport and logistics	3,795	3,952	(157)	(4.0)%
Total purchases and services	638,943	725,325	(86,382)	(11.9)%

In order to ensure better comparison of the items in the two periods under comparison, reclassifications have been made to the balances at March 31, 2012 with the following effects: lower Lease of civil and technical sites, Maintenance and repair, Purchases of raw materials, consumables, supplies and goods and Consultancies and professional services by €7,292 thousand, €3,026 thousand, €1,048 thousand and €107 thousand, respectively; and higher Other leases and use of third party assets, Utilities, and Advertising and promotional services by €6,458 thousand; €3,860 thousand and €1,155 thousand, respectively.

The change in this item is essentially due to the combined effect of the following increases and decreases compared to the three-months period ended March 31, 2012:

- a decrease of €75,965 thousand in *Interconnection traffic* costs mainly due to a general fall in termination tariffs, only partially offset by an increase in the volume of traffic directed to the mobile network and in VAS Not Voice traffic;
- a decrease of €20,438 thousand in the cost of *Advertising and promotional services* mainly due to minor acquisition of advertising media such as TV, radio and billboards;
- a decrease of €12,108 thousand in *Lease of local access network* costs mainly as the result of a decrease in the relative customer base and the rationalize the use of the sites;

- a decrease of €5,217 thousand in customer acquisition costs mainly due to reduction in costs related to fixed line acquisition costs and to the reduction of commissioning on mobile traffic;
- net increase of €26,732 thousand in Purchases of raw materials, consumables, supplies and goods and Change in inventories mainly due to an increase in the sale of mobile telephone handsets and in the unit purchase prices charged by suppliers compared to the previous period as the result of a shift of sales towards high-range terminals;
- an increase of €4,570 thousand in *Maintenance and repair* costs mainly due to the increase in the prices relating to the network maintenance.

7 OTHER OPERATING COSTS

The following table provides an analysis of *Other operating costs* for the three months of 2013 compared with the corresponding period of 2012.

<i>(thousands of euro)</i>	2013	2012	Change	
	3 months	3 months	Amount	%
Impairment losses on trade receivables and current assets	28,800	26,206	2,594	9.9%
Annual license fees	8,147	8,646	(499)	(5.8)%
Other operating costs	3,816	4,603	(787)	(17.1)%
Accruals for risks	1,580	3,313	(1,733)	(52.3)%
Gifts	75	40	35	87.5%
Total other operating costs	42,418	42,808	(390)	(0.9)%

8 PERSONNEL EXPENSES

The following table provides an analysis of *Personnel expenses* for the three months of 2012 compared with the corresponding period of 2011.

<i>(thousands of euro)</i>	2013	2012	Change	
	3 months	3 months	Amount	%
Wages and salaries	73.139	73.036	103	0,1%
Social security charges	20.455	21.226	(771)	(3,6)%
Other personnel expenses	3.156	3.183	(27)	(0,8)%
Post-employment benefits	4.993	4.377	616	14,1%
(Costs capitalized for internal works)	(14.501)	(10.994)	(3.507)	31,9%
Total personnel expenses	87.242	90.828	(3.586)	(3,9)%

The noted decrease over the three months of 2012 is essentially due to the increase in *Costs capitalized for internal works* for the attributable to costs of Network personnel for the development and design of the network and IT personnel.

The change in the other items is due to the combined effect of the following factors: i) the decrease, in the first quarter 2013, over the first three months of 2012, in the average number of employees of the Group by 15 units, and, ii) the agreement with trade unions, reached on October 10, 2012, to revise the main economic and legislative

schemes in personnel costs in the period from 2013 to 2017; and iii) the estimate charge relating to compensation plan for the long-term retention and incentive of management.

An agreement for the renewal of the National Labor Contract (CCNL) was reached at the beginning of February 2013, subsequently approved by the workers' assemblies; on an economic level this establishes an increase in the contractual minima from April. The new CCNL is effective from December 31, 2014.

9 DEPRECIATION AND AMORTIZATION

The following table provides an analysis of *Depreciation and amortization* for the three months of 2013 compared with the corresponding period of 2012.

<i>(thousands of euro)</i>	2013	2012	Change	
	3 months	3 months	Amount	%
Depreciation of property, plant and equipment				
- Plant and machinery	173,087	161,460	11,627	7.2%
- Industrial and commercial equipment	2,956	2,436	520	21.3%
- Other assets	6,326	5,722	604	10.6%
Amortization of intangible assets with finite lives				
- Industrial patents and similar rights	29,700	26,640	3,060	11.5%
- Concessions, licenses, trademarks and similar rights	47,866	28,283	19,583	69.2%
- Other intangible assets	52,715	46,589	6,126	13.1%
Total depreciation and amortization	312,650	271,130	41,520	15.3%

Depreciation and amortization rose by €41,520 thousand over the first quarter of 2012. Of this €12,751 thousand relates to property, plant and equipment, due to the additional investments made in network development over the past few years, and €28,769 thousand to intangible assets, mainly as the rights of use for the frequencies in the 800 and 2600 MHz bands were exercised from the start of the quarter.

10 REVERSAL OF IMPAIRMENT LOSSES / (IMPAIRMENT LOSSES) ON NON-CURRENT ASSETS

The following table provides an analysis of *Reversal of impairment losses / (impairment losses) on non-current assets* for the three months of 2012 compared with the corresponding period of 2011.

<i>(thousands of euro)</i>	2013	2012	Change	
	3 months	3 months	Amount	%
Reversal of impairment losses / (Impairment losses) on property, plant and equipment	366	135	231	171.1%
Total	366	135	231	171.1%

The balance for the three months of 2013 includes the effects of impairment losses and reversals of property, plant and equipment and the effect of the operation to replace transmission equipment which more details may be found in the note 13.

11 FINANCE INCOME AND EXPENSE

Financial management generated a negative net finance expense of €207,450 thousand in the first three months of 2013 (€219,820 thousand in the first three months of 2012)

The following table provides an analysis of *Finance income* for the three months of 2013 compared with the corresponding period of 2012.

<i>(thousands of euro)</i>	2013	2012	Change	
	3 months	3 months	Amount	%
Interest on bank deposits	83	995	(912)	(91.7)%
Cash flow hedge reversed from equity	132	2,380	(2,248)	(94.5)%
Fair value measurement of derivatives	15,656	1,127	14,529	1289.2%
Other	1,302	2,210	(908)	(41.1)%
Total finance income	17,173	6,712	10,461	155.9%

The increase in this item is mainly due to higher income arising from the fair value measurement of the embedded derivatives on the bonds amounting to €15,656 thousand at March 31, 2013 (€1,127 thousand at 31 March 2012).

Other financial income consists of the interest arising on the receivable from the parent Wind Telecom SpA under the intercompany agreement entered in November 2010, for which details may be found in note 15.

The following table provides an analysis of *Finance expense* for the three months of 2013 compared with the corresponding period of 2012.

<i>(thousands of euro)</i>	2013	2012	Change	
	3 months	3 months	Amount	%
Interest expense on:				
Bond issues	(145,495)	(135,916)	(9,579)	7.0%
Bank loans	(44,068)	(71,524)	27,456	(38.4)%
Discounted provisions	(478)	(1,034)	556	(53.8)%
Cash flow hedges, reversed from equity	(17,782)	(30,250)	12,468	(41.2)%
Other	(16,800)	(15,592)	(1,208)	7.7%
(Finance expense capitalized)	-	27,784	(27,784)	n.m.
Total finance expense	(224,623)	(226,532)	1,909	(0.8)%

Finance expense consists mostly of accrued interest on financial liabilities outstanding at March 31, 2013, for which further details may be found in note 20 and the effects of hedge accounting for derivatives under which a portion of the cash flow hedge reserve was reclassified to the income statement by €17,782 thousand (€30,250 thousand at March 31, 2012).

The decrease in the item is mainly due to the reduction in bank loan interest as a result of the early repayment of €500 million of bank debt on April 13, 2012.

Interest expense on Bond issues increase during the period over the first three months of 2012, due to the additional placement completed on April 13, 2012, of the Senior Secured Notes 2018 of €200 million and USD400 million.

Capitalized borrowing costs at March 31, 2013 relate to the interest incurred on loans used by the Group specifically for the purchase of the frequencies in the 800 MHz and 2600 MHz band, occurred in 2011. As the frequencies entered use during the quarter ended March 31, 2013 the related borrowing costs can no longer be capitalized. More details may be found in notes 14 and 20.

12 INCOME TAX

The following table provides an analysis of **Income tax** for the three months of 2013 compared with the corresponding period of 2012.

<i>(thousands of euro)</i>	2013	2011	Change	
	3 months	3 months	Amount	%
Current tax	(36,326)	(48,285)	11,959	(24.77)%
Previous years income taxes	1,612	-	1,612	n.m.
Deferred tax	13,492	10,625	2,867	27.0%
Total income tax	(21,222)	(37,660)	16,438	(43.6)%

The net charge for the year is made up of the following:

- current income taxes expense of €36,326 thousand (of which €23,990 thousand for IRES tax and €12,336 thousand for IRAP tax) charged on the consolidated taxable income for the period;
- previous years income taxes of €1,612 thousand;
- net deferred tax income of €13,492 thousand, arising from a increase of €7,408 thousand in deferred tax assets and from the release of deferred tax liabilities of €6,084 thousand.

13 PROPERTY, PLANT AND EQUIPMENT

The following table sets out the changes in **Property, Plant and Equipment** during the first three months of 2013.

<i>(thousands of euro)</i>	At December 31, 2012	Additions	Depreciation	Reversal of impairment losses/ Impairment losses	Disposals	Others	At March 31, 2013
Land and buildings	552	-	-	-	-	-	552
Plant and machinery	3,250,717	53,852	(173,088)	337	(460)	101,996	3,233,354
Equipment	25,860	1,651	(2,956)	-	(7)	876	25,424
Other	60,505	755	(6,325)	-	(1)	4,386	59,320
Assets under construction	261,645	32,575	-	-	-	(107,049)	187,171
Total	3,599,279	88,833	(182,369)	337	(468)	209	3,505,821

The cost, accumulated impairment losses and accumulated depreciation at March 31, 2013 can be summarized as follows.

<i>(thousands of euro)</i>	At March 31, 2013			Carrying amount
	Cost	Accumulated impairment losses	Accumulated depreciation	
Land and buildings	552	-	-	552
Plant and machinery	10,598,984	89,898	7,275,732	3,233,354
Equipment	143,866	29	118,413	25,424
Other	495,833	163	436,350	59,320
Assets under construction	187,813	642	-	187,171
Total	11,427,048	90,732	7,830,495	3,505,821

The investments made in the period relate mainly to radio links and high frequency equipment for the expansion of the mobile access network and plant and machinery under construction (3G mobile technologies) and the respective transport and support networks.

In connection with an operation to replace transmission equipment being carried out to render the network more efficient and to obtain benefits from synergies, the net carrying amount of replaced equipment of €22 thousand was written off and investments have been recognized by €263 thousand resulting from the recognition as an increase in the market value of the equipment received as a replacement. In this regard, the value of equipment received as a replacement totally offsets the impairment loss on the equipment replaced, while the remaining €241 thousand was suspended in other non-current liabilities and will be released in profit or loss over the useful life of assets.

14 INTANGIBLE ASSETS

The following table sets out the changes in *Intangible assets* during the first three months of 2013.

<i>(thousands of euro)</i>	At December 31, 2012	Additions	Amortization	Reversal of impairment losses/ Impairment losses	Others	At March 31, 2013
Industrial patents and intellectual property rights	299,043	23,846	(29,700)	13	10,020	303,222
Concessions, licenses, trademarks and similar rights	2,979,072	134,957	(47,866)	-	1,249,923	4,316,086
Other intangible assets	566,180	18,838	(52,715)	-	31,138	563,441
Goodwill	3,607,469	-	-	-	-	3,607,469
Assets under development	1,288,358	31,161	-	-	(1,291,289)	28,230
Total	8,740,122	208,802	(130,281)	13	(208)	8,818,448

The cost, accumulated impairment losses and accumulated amortization at March 31, 2013 can be summarized as follows.

<i>(thousands of euro)</i>	At March 31, 2013			Carrying amount
	Cost	Accumulated impairment losses	Accumulated amortization	
Industrial patents and intellectual property rights	1,762,279	12,212	1,446,845	303,222
Concessions, licenses, trademarks and similar rights	5,789,757	1,002	1,472,669	4,316,086
Other intangible assets	1,612,780	-	1,049,339	563,441
Goodwill	3,609,387	1,918	-	3,607,469
Assets under development	28,230	-	-	28,230
Total	12,802,433	15,132	3,968,853	8,818,448

The increase in Concessions, licenses, trademarks, and similar rights arises from the capitalization of expenditure for the backbone rights of way following the revision of the relative agreements with TERNA/TELAT, which defers the expiry date to 2035. This expenditure has been calculated by discounting the non-cancelable cash flows specified in the agreements.

In addition, the frequencies in the 800 and 2600 MHz bands entered use during the first quarter of 2013 with the corresponding reclassification of an amount of €1,249,923 thousand (including the capitalization of borrowing costs relating to the purchase of frequencies).

No impairment tests were carried out on these assets at March 31, 2013 given the absence of impairment indicators.

15 FINANCIAL ASSETS

The following table sets out *Financial assets* at March 31, 2013 and at December 31, 2012.

<i>(thousands of euro)</i>	At March 31, 2013			At December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost	16,359	-	16,359	16,359	-	16,359
Derivative financial instruments	230,853	142	230,995	113,212	-	113,212
Financial receivables	53,097	175,066	228,163	58,044	173,322	231,366
Total	300,309	175,208	475,517	187,615	173,322	360,937

At March 31, 2013 the item consists mainly of:

- financial assets of €16,359 thousand measured at cost which consist of investments in non-controlling interests;
- the positive fair value of derivative financial instruments of €230,995 thousand and which the composition is described in note 21;
- financial receivables of €228,163 thousand mainly including:

- o the loan of €157,480 thousand granted by WIND to the indirect parent Wind Telecom SpA (Intercompany Loan Agreement) with a single lump-sum repayment on December 30, 2013 and with interest being capitalized and charged at an annual Euribor+2.625% rate;
- o fees of €45,845 thousand (€48,624 thousand at December 31, 2012) of which €11,242 thousand in current assets, (€11,266 thousand at December 31, 2012) recognized for hedging derivatives arranged in the previous years, which are being amortized over the terms of these instruments;
- o the residual value of the transaction costs for the unused portion of bank loans equal to €9,777 thousand (€10,436 thousand at December 31, 2012) which are charged to profit or loss on a straight-line basis over the term of the agreement.

16 DEFERRED TAX ASSETS AND LIABILITIES

The following tables provide the variation of *Deferred tax assets* and *Deferred tax liabilities* by origin at March 31, 2013 and at December 31, 2012.

<i>(thousands of euro)</i>	At December 31, 2012	Decrease	Increase	At March 31, 2013
Provision for bad debts (taxed)	141,636	-	6,065	147,701
Provisions for risks (taxed)	29,558	865	1,983	30,676
Measurement of financial assets/liabilities	3,375	3,375	-	-
Amortization and depreciation of non-current assets	45,078	902	1,126	45,302
Deferred tax assets	219,647	5,142	9,174	223,679
Employee benefits	3,449	-	-	3,449
Accelerated depreciation and amortization	13,523	124	-	13,399
Derivative financial instruments	-	-	-	-
Property, plant, and equipment at fair value	84,060	1,716	-	82,344
Depreciation of PPA	602,218	5,385	528	597,361
Measurement of financial assets/liabilities	1	-	9,768	9,769
Deferred tax liabilities	703,251	7,225	10,296	706,322

Deferred tax assets at March 31, 2013 and December 31, 2012 which relate to items recognized directly in other components of profit or loss relate entirely to the transactions on derivatives hedging cash flows, as described in further detail in note 17.

17 EQUITY

The following table summarizes the main changes in **Equity** for the first three months of 2013 and for the corresponding period in 2012.

<i>(thousands of euro)</i>	Equity attributable to the owners of the parent				Equity attributable to the owners of the parent	Non-controlling interests	Equity
	Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)			
Balances at December 31, 2011 (Reported amounts)	147,100	751,887	(129,576)	517,595	1,287,006	218	1,287,224
IAS 19 revised adoption effect			3,391		3,391		3,391
Balances at January 1, 2012	147,100	751,887	(126,185)	517,595	1,290,397	218	1,290,615
Total comprehensive income for period	-	-	(1,734)	(40,373)	(42,107)	(33)	(42,140)
- Profit for the period	-	-	-	(40,373)	(40,373)	(33)	(40,406)
- Cash flow hedges	-	-	(1,734)	-	(1,734)	-	(1,734)
Transactions with equity holders	-	-	-	-	-	-	-
Balances at March 31, 2012	147,100	751,887	(127,919)	477,222	1,248,290	185	1,248,475
Balances at December 31, 2012 (Reported amounts)	147,100	751,887	(95,861)	393,799	1,196,925	128	1,197,053
IAS 19 revised adoption effect			3,292		3,292		3,292
Balances at January 1, 2013	147,100	751,887	(92,569)	393,799	1,200,217	128	1,200,345
Total comprehensive income for the period	-	-	52,361	(79,302)	(26,941)	(24)	(26,965)
- Loss for the period	-	-	-	(79,302)	(79,302)	(24)	(79,326)
- Cash flow hedges	-	-	52,361	-	52,361	-	52,361
Transactions with equity holders	-	-	-	-	-	-	-
Balances at March 31, 2013	147,100	751,887	(40,208)	314,497	1,173,276	104	1,173,380

Changes in the Group's equity during the period mainly arose from the following the increase in the cash flow hedge reserve, as well as the loss for the period, as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the period that relate entirely to the transactions on hedging derivatives on cash flows, as described in further detail in note 21. The following table shows the changes in the cash flow hedge reserve.

<i>(thousands of euro)</i>	Interest rate risk			Foreign currency risk			Cash Flow Hedge Reserve
	Gross reserve	Tax effect	Total	Gross reserve	Tax effect	Total	
At December 31, 2012	(149,446)	-	(149,446)	(12,859)	3,703	(9,156)	(158,602)
Changes in fair value	4,045	-	4,045	131,807	(37,934)	93,873	97,918
Reverse to income statement	17,340	-	17,340	(88,313)	25,416	(62,897)	(45,557)
At March 31, 2013	(128,061)	-	(128,061)	30,635	(8,815)	21,820	(106,241)

The share capital of the parent WIND Telecomunicazioni SpA at March 31, 2013 consisted of 146,100,000 ordinary shares with no nominal amount, 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.

18 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to the owners 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 period of the number of outstanding shares, since there were no diluting effects at March 31, 2013 or March 31, 2012.

19 PROVISIONS

The following table sets out changes in *Provisions* during the first three months of 2013.

<i>(thousands of euro)</i>	At December 31, 2012	Increases	(Decreases)	At March 31, 2013
Litigation	34,740	1,580	(1,576)	34,744
Restructuring	4,102	-	-	4,102
Universal service contribution (Presidential Decree no. 318/1997)	16,683	-	-	16,683
Product assistance	2,072	-	(628)	1,444
Dismantling and removal	37,984	-	(423)	37,561
Other provisions	53,467	5,207	(1,017)	57,657
Total	149,048	6,787	(3,644)	152,191

This item decreased by €3,143 thousand at March 31, 2013, as the net of accruals made principally for certain and probable liabilities arising from the obligations undertaken by the Group and the amounts utilized during the period, due mainly to the settlement of disputes arising in previous years and resolved in the period and to utilization of the provision to the termination of agency relationship during the period.

20 FINANCIAL LIABILITIES

The following table sets out an analysis of *Financial liabilities* at March 31, 2013 and changes with respect to December 31, 2012.

<i>(thousands of euro)</i>	At March 31, 2013			At December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	5,906,149	158,787	6,064,936	5,817,668	178,612	5,996,280
Bank loans	2,840,422	102,723	2,943,145	2,835,522	124,271	2,959,793
Loans from others	442,095	161,357	603,452	342,010	159,444	501,454
Derivative financial instruments	70,769	32,603	103,372	160,389	4,197	164,586
Total financial liabilities	9,259,435	455,470	9,714,905	9,155,589	466,524	9,622,113

The following tables provide the most important information regarding bank loans and bond issues outstanding at March 31, 2013.

<i>(thousands of euro)</i>	Carrying amount at March 31, 2013	Carrying amount at December 31, 2012	Nominal amount at March 31, 2013	Residual Commitment	Currency	Due date	Interest rate
Senior Facility Agreement							
- Tranche A1	97,870	97,634	100,329	100,329	EUR	11/26/2016	Euribor+4.00%
- Tranche A2	794,701	792,785	814,671	814,671	EUR	11/26/2016	Euribor+4.00%
- Tranche B1	1,290,724	1,288,668	1,333,882	1,333,882	EUR	11/26/2017	Euribor+4.25%
- Tranche B2	658,946	657,900	681,118	681,118	EUR	11/26/2017	Euribor+4.50%
- Revolving	100,009	99,994	100,000	400,000	EUR	11/26/2016	Euribor+4.00%
- Overdrafts	-	21,827	-				
- Other accrued interest	895	985	-				
Total	2,943,145	2,959,793	3,030,000	3,330,000			

<i>(thousands of euro)</i>	Carrying amount at March 31, 2013	Carrying amount at December 31, 2012	Nominal amount at March 31, 2013	Issue price	Currency	Due date	Interest rate	Price
Senior Secured Notes 2017 €	1,228,395	1,263,071	1,250,000	96.3%	EUR	07/15/2017	11.75%	105.3%
Senior Secured Notes 2017 \$	1,566,526	1,564,331	1,560,428	97.5%	USD	07/15/2017	11.75%	106.1%
Senior Secured Notes 2018 €	1,768,024	1,734,800	1,750,000	99.3%	EUR	02/15/2018	7.38%	103.3%
Senior Secured Notes 2018 \$	1,023,741	975,601	1,014,278	99.3%	USD	02/15/2018	7.25%	104.1%
Additional SSN 2018 €	184,381	180,042	200,000	90.1%	EUR	02/15/2018	7.38%	102.1%
Additional SSN 2018 \$	293,870	278,435	312,086	92.2%	USD	02/15/2018	7.25%	103.9%
Totale	6,064,937	5,996,280	6,086,792					

The change in the balances in financial liabilities results essentially from:

- the recognition of debt of €134,957 thousand against the capitalization of expenditure for the backbone rights of way, for which details may be found in note 14;
- the repayment during the period of €34 million relating to the principal of loan from other banks against the deferred repayment plan of the fair value of the derivative instruments that were repaid with the refinancing of the Group's debt of November 26, 2010;
- the effect of the change in the euro/USD exchange rate during the period on Bond in foreign currency.

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at March 31, 2013.

<i>(thousands of euro)</i>	At March 31, 2013					Total
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	
Euro	390,711	3,002,794	1,786,487	319,009	1,228,395	6,727,396
US dollars	-	-	1,317,611	-	1,566,526	2,884,137
Total	390,711	3,002,794	3,104,098	319,009	2,794,921	9,611,533

The Senior Facility Agreement imposes certain covenants on the Group, with which the Group, at March 31, 2013 is fully in compliance.

An analysis of the *derivative financial instruments* balance and of the respective changes is found in note 21.

21 DERIVATIVE FINANCIAL INSTRUMENTS

The following table provides details of the outstanding *Derivative financial instruments* at March 31, 2013 and changes over December 31, 2012, analyzed by the type of risk hedged.

	At March 31, 2013		At December 31, 2012	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
- Exchange rate risk	185,564	802	83,578	27,653
- Interest rate risk	142	102,570	-	136,933
Total cash flow hedges	185,706	103,372	83,578	164,586
- Embedded derivatives on Bonds	45,289	-	29,634	-
Total Derivatives Non Hedge Accounting	45,289	-	29,634	-
Total	230,995	103,372	113,212	164,586

Changes in the fair value of derivatives arise mainly from variations in the interest rate curve and movements in the euro/USD exchange rate over the period.

The following table shows the detail of current and non-current derivative instruments.

	At March 31, 2013		At December 31, 2012	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current	142	32,603	-	4,197
Non current	230,853	70,769	113,212	160,389
Total derivatives	230,995	103,372	113,212	164,586

The detail of variation in the cash flow hedge reserve for the period may be found in note 17.

22 NET FINANCIAL DEBT

The following statement shows the Group's net financial debt broken down into its principal components, as already described in notes 15, 20 and 21 to the financial components of the statement of financial position.

<i>(thousands of euro)</i>	At March 31, 2013	At December 31, 2012
Bonds issues	5,906,149	5,817,668
Bank loans	2,840,422	2,835,522
Loans from other	442,095	342,010
Derivative financial instruments	70,769	160,389
Non-current financial liabilities	9,259,435	9,155,589
Bonds issues	158,787	178,612
Bank loans	102,723	124,271
Loans from others	161,357	159,444
Derivative financial instruments	32,603	4,197
Current financial liabilities	455,470	466,524
TOTAL GROSS FINANCIAL DEBT	9,714,905	9,622,113
Cash and cash equivalents	(70,754)	(130,543)
Derivative financial instruments	(142)	-
Financial receivables	(173,248)	(172,607)
Current financial assets	(173,390)	(172,607)
Derivative financial instruments	(230,853)	(113,212)
Financial receivables	(50,750)	(54,590)
Non-current financial assets	(281,603)	(167,802)
NET FINANCIAL DEBT	9,189,158	9,151,161

The net financial debt does not include the guarantee deposits for an amount of €4,166 thousand and €4,169 thousand at March 31, 2013 and at December 31, 2012, respectively.

23 CASH FLOW STATEMENT

Cash flows from operating activities, amounting to €158.743 thousand in the first three months of 2013, decreased of €91,765 thousand over the previous period of 2012, mostly as an effect of the changes in working capital relating to the settlement of current assets and liabilities.

Investing activities used cash during the first three months of 2013 of a total of €161,791 thousand, representing an decrease of €30,095 thousand over the previous period of 2012 as the effect of the decrease of investment in fixed assets of €30,793 thousand mainly due to the rationalization in spending on 2G mobile technology and as well as in the fixed network with focus investment in 3G mobile technology.

During the first three months of 2013, financing activities used cash of €34,914 thousand mainly as the effect of the repayment of part of the financial liability against the deferred repayment plan of the fair value of the derivative

instruments hedging loans that were repaid with the refinancing of the Group's debt (€35,515 thousand in the first three months of 2012).

24 RELATED PARTY TRANSACTIONS

Transactions with related parties

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 refer to transactions with the indirect parent Wind Telecom SpA, the Parent receives services relating to IT, marketing, personnel, purchasing, etc; moreover, on November 29, 2010 the Parent granted Wind Telecom SpA a loan of €157,480, for which details may be found in note 15.

During the period ended March 31, 2013, Group companies did not hold treasury shares of WIND Telecomunicazioni SpA, either directly or through trustees, or hold shares of WIND Acquisition Holdings Finance SpA, or hold investments in the indirect parent Wind Telecom SpA.

The table below provides a summary of the main effects on the income statement and statement of financial position of related party transactions during the year.

(thousands of euro)

Period ended March 31, 2013

	Revenue	Finance income/expense	Expenses	Trade receiv.	Other receiv.	Financial receiv.	Trade payables	Other payables
Armenija Telefon Kompani	1	-	1	4	-	-	11	-
Consorzio Wind Team	-	-	-	-	2	-	-	-
DiGi (Malaysia)	4	-	8	8	-	-	10	-
DTAC/UCOM (Thailand)	1	-	23	-	-	-	21	-
Globalive Wireless Management	313	-	-	35	2,578	-	6	-
GrameenPhone (Bangladesh)	30	-	14	156	-	-	71	-
KaR-Tel	11	-	1	2	-	-	25	-
Kievstar	130	-	70	13	-	-	58	-
Maritim Communication	-	-	-	-	-	-	-	-
Partner AS (Norway)	-	-	19	-	-	-	36	-
Mobitel LLC Georgia	-	-	3	-	-	-	14	-
Summit Technology Solutions (STS)	-	-	12	-	-	-	6	-
Orascom Telecom Algeria SpA	122	-	23	358	-	-	18	-
Orascom Telecom Bangladesh Ltd. (Banglalink)	-	-	2	53	-	-	2	-
Orascom Telecom Holding SAE	-	-	159	23	9	-	1,903	-
Orascom Telecom Services Europe Company	-	-	-	183	-	-	-	-
Pakistan Mobile Communications Ltd.	7	-	-	13	-	-	-	-
SKY MOBILE LLC	-	-	-	2	-	-	2	-
Sotelco Ltd.	-	-	-	1	-	-	-	-
Telenor Magyarorszag KFT (Hungary)	38	-	27	89	-	-	52	-
Telenor Mobile Communications AS (Norway)	13	-	4	-	-	-	33	-
Telenor Pakistan (Pakistan)	1	-	4	1	-	-	10	-
Telenor Serbia (Serbia)	38	-	24	300	-	-	1,390	-
Unitel	-	-	-	1	-	-	8	-
Vimpelcom ltd	160	-	-	-	1,034	-	-	-
Vympel-Kommunikacii	253	-	49	-	-	-	1,060	-
Weather Capital Sarl	-	-	17	-	-	-	-	284
WIND Acquisition Holdings Finance SpA	11	-	-	-	1,586	-	273	-
Wind Telecom SpA*	70	1,147	1,460	-	18,515	157,480	6,911	336,142
Wind Acquisition Holdings Finance II SA	-	-	-	-	47	-	-	-
Wind Acquisition Holdings Finance SA	-	-	-	-	-	-	-	81
SPAL TLC S.p.A. **	89,946	-	9,451	40,554	-	-	6,216	-
Vimpelcom International services	-	-	35	-	227	-	93	-
Total	91,149	1,147	11,406	41,796	23,998	157,480	18,229	336,507

*payables to Wind Telecom SpA relate in the amount of €334,400 thousand and of €1,402 thousand to the transfer by the Parent and by the subsidiary WIND Retail Srl of its corporate income tax (IRES) payables to Wind Telecom SpA following the choice to take part in the national tax consolidation procedure with Wind Telecom SpA.

** revenue to SPAL TLC SpA include the revenue of WIND Telecomunicazioni SpA from the sale of phone cards (€80,599 thousand).

25 OTHER INFORMATION

Main pending legal proceedings

WIND is subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings at March 31, 2013, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable.

Proceedings with agents

Certain proceedings are still pending at different judicial stages relating to the termination of agency agreements, in which the agents seek payment from WIND of certain indemnities provided for by Italian legislation; these include

the termination indemnity, the collection indemnity, the indemnity in lieu of notice and the indemnities pursuant to article 1751 of the Italian Civil Code.

WIND/ITALGO SPA

Italgo SpA (formerly Delta SpA), initiated proceedings against WIND based upon an alleged breach by WIND of certain provisions of an agreement signed with Delta SpA for the provision of goods and services (the "Commercial Agreement"). Italgo SpA sought the termination of the Commercial Agreement and other related agreements, as well as the payment by WIND of a penalty of €3.3 million, a refund of €23 million (the price paid for Delta SpA shares) and additional damages (to be quantified during the proceedings) for the costs which Italgo SpA alleges to have incurred as a result of WIND's alleged breach of contract. Italgo SpA alternatively sought a reduction in the purchase price agreed by the parties to be settled by offsetting this amount against an amount of €9 million payable by Italgo SpA to WIND. On March 19, 2010, an injunction was issued by the Court in Rome ordering WIND to pay a total of €3 million. WIND has appealed this decision. At present, a negative result with respect to the March 19, 2010 injunction is considered probable.

Proceedings concerning Misleading Advertising and Unfair Commercial Practices

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 €5 million for each proceeding (amount redefined by Law no. 135/12 August 2012). To date, in 2011 received a single fine of €90 thousand connected to a case initiated in 2009; during 2011, AGCM initiated other five actions against WIND in this regard (three of which already have been settled through agreed non-monetary undertakings, one has been closed with a fine of €200 thousand and one closed without any fine). In 2012 AGCM initiated three new proceedings (one settled with a fine of €70 thousand, one closed without any fine and one still pending).

Contingent assets and liabilities

The WIND Group had the following contingent liabilities at March 31, 2013.

Proceedings Concerning Electromagnetic Radiation

Proceedings are still pending, in particular before the administrative courts, regarding the installation of base radio stations. These are mainly the result of current concerns about electromagnetic radiation. The claims are of an undeterminable monetary amount.

Audit on dealers' fees

In 2001 WIND received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. The court of the second instance found in favour of WIND for 1999 and 2001 while it found against WIND for 2000. These cases currently remain pending before the supreme court. The dispute can be quantified in approximately €6 million plus penalties and interest.

WIND/Crest One SpA

Crest One SpA ("Crest One") has initiated proceedings against WIND for: (i) the refund of an amount of approximately €16 million, previously paid to WIND by Crest One as value added tax under a distribution agreement

entered into between Crest One and WIND, and (ii) the compensation of damages alleged to have been suffered by Crest One (the amount of which damages is to be determined following the trial) pursuant to the payment of such value added tax by Crest One to WIND. The Court of Rome has rejected Crest One's claims.

On March 22, 2012 the Court of Rome declared Crest One's bankruptcy. WIND has claims before the bankruptcy Court against Crest One for contractual breach for non-payment and incorrect application of the VAT regime by Crest One. Crest One appealed the payment and the case will now be decided by the Court of Appeal of Rome. The bankruptcy trustee has accepted WIND's for admission of euro 7,670,000 as part of liabilities to be examined during bankruptcy.

WIND-Antitrust Authority (Proceeding no. A/357)

With a decision dated August 3, 2007, the Antitrust Authority closed proceeding no. A/357 by condemning WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market due to the discriminatory application of economic and technical conditions for fixed-to-mobile on net (fixed-mobile calls originating and terminating on the WIND network) and intercom calls (the calls on the internal telephone lines of a business customer) in favor of their respective internal divisions and to the detriment of fixed-line competitors. WIND was fined a sum of €2 million and ordered to cease the discriminatory behaviour. WIND appealed against the decision by seeking the annulment before the Administrative Court of Lazio (the Lazio TAR). The Lazio TAR rejected WIND's appeal on January 29, 2008 and the related decision was published on April 7, 2008. On September 17, 2008, WIND filed an appeal before the State Council, seeking the annulment of the above Lazio TAR's decision, the hearing for which, following various delays, occurred on March 15, 2011.

On April 20, 2011, the State Council published the final ruling by rejecting the WIND's appeal. On June 4, 2012, WIND filed an appeal before the Court of Cassazione for the annulment of the above State Council's ruling. The merit discussion hearing is scheduled on May 14, 2013.

WIND-Antitrust Authority (Proceeding no. I/757)

On September 13, 2012, the Italian Competition Authority (or the "ICA") opened an anti-trust investigation in respect of three Italian MNOs (Telecom Italia, Vodafone and WIND) and carried out dawn raids on their premises. The investigation was started following a claim by an Italian MVNO, Bip Mobile. Bip Mobile claimed an alleged agreement between Telecom Italia, Vodafone and WIND which was aimed to prevent the entry of Bip Mobile into the Italian mobile market through collusive pressure on the multi-brand point of sales starting as of June, 2012. WIND is currently defending its conduct against Bip's Mobile's allegations and cooperating with ICA in accordance with usual legal and procedural steps. We expect that the investigation will be completed by the end of September, 2013 which could result in an ICA decision of condemnation and fine of the MNOs or the dismissal of Bip Mobile's claim.

Pursuant to Section 15 of Italian Law no. 287 of October 10, 1990, as amended, in the most serious cases, depending on the gravity and the duration of the infringement assessed, the ICA may decide to impose a fine up to 10% of the turnover of each undertaking over the previous fiscal year.

Guarantees

No Group company has pledged any guarantees, either directly or indirectly, in favor of parents or companies controlled by the latter.

The collateral pledged by Group companies at March 31, 2013 as a guarantee for liabilities may be summarized as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent as specified in the relevant deed, in favor of the banking syndicate party to the Senior Facility Agreement 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 banking syndicate party to the Senior Facility Agreement and other creditors specified in the relevant deed;
- pledge over 6,200 shares representing 100% of the corporate capital of the subsidiary Wind Acquisition Finance SA owned by WIND Telecomunicazioni SpA and in favor of a pool of banks pursuant the related share pledge 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 banking syndicate in accordance with the Senior Facility Agreement and the other lending parties specified in the supplemental deed related to the respective contract as a guarantee for and in favor of the subscribers to the Senior Notes, expiring in 2017, issued on July 13, 2009 by Wind Acquisition Finance SA and in favor of the subscribers to the Senior Secured Notes, expiring in 2018, issued on November 26, 2010 by Wind Acquisition Finance SA and to the lending parties specified in the deed of confirmation and extension of the deed of assignment of receivables by way of security as a guarantee for and in favor of the subscribers to the Additional Senior Secured Notes expiring in 2018 issued on April 13, 2012 by Wind Acquisition Finance SA. Moreover, the Parent has pledged as security its receivables arising from the Put and Call option dated May 26, 2005 as described in the relevant deed, to the banking syndicate in the Senior Facility Agreement and the other lending parties specified therein as a guarantee for and in favor of the subscribers to the Senior Secured Notes expiring in 2017 issued by Wind Acquisition Finance SA on July 13, 2009 and the Senior Secured Notes expiring in 2018 issued by Wind Acquisition Finance SA on November 26, 2010 and to the lending parties specified in the deed of confirmation and extension of the deed of assignment of receivables by way of security as a guarantee for and in favor of the subscribers to the Additional Senior Secured Notes expiring in 2018 issued on April 13, 2012 by Wind Acquisition Finance 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. The total of these, amounting to €526,100 thousand at March 31, 2013 includes:

- sureties totaling €22,200 thousand issued by insurance companies, of which €14,459 thousand in favor of the Rome Tax Revenue Office as security against the Group's excess VAT receivable which was offset in 2009 as part of the special procedure envisaged by Presidential Decree no. 633 of October 26, 1972 and subsequent amendments;
- sureties totaling €499,870 thousand issued by banks, relating to participation in tenders, of which €438,651 thousand in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to sponsorships, property leases, operations regarding prize competitions, events and excavation licenses.

The Parent has been under the management and coordination of Wind Telecom SpA since July 2007.

26 SUBSEQUENT EVENTS

On April 12, 2013, the parent's shareholders resolved the approval of the annual financial statements as of and for the year ended December 31, 2012 allocating the loss for the year of €145,320 thousand to losses carried forward.

On April 29, 2013, the Parent WIND Telecomunicazioni SpA made an early repayment of €575 million of the installments of tranches A1 and A2 of the Senior Facility Agreement falling due in 2014 and 2015.

Again on April 29, 2013, the Group completed the placement of a Floating Rate Senior Secured Notes Euro-denominated of €150 million having a coupon of Euribor + 525 bps, maturing in 2019 and a Fixed Rate Senior Secured Notes US Dollar-denominated of USD550 million having a coupon of 6.5%, maturing in 2020.

On May 3, 2013, the Parent WIND Telecomunicazioni SpA made an early repayment of €88,780 million, of the second installment and related interest of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights, falling due in October 2013.