

37.5 OTHER DEVELOPMENTS

37.5.1 Year 2002

March

- Vodafone AG closed its sale of Atecs;
- Vodafone became the first mobile operator to offer commercial GPRS roaming across Europe.

April

- Vodafone acquired a further 2.2% stake in Airtel Movil, taking its holding to 93.8%.

May

- Vodafone Holdings took its holding in China Mobile (Hong Kong) from 2.18% to 3.27%.

July

- Arcor sold its remaining 50.1% stake in its railway specific fixed-line telecommunications activities, Arcor DB Telematik;
- Vodafone AG has completed the sale to E.ON AG of its 23.6% stake in Bergemann.

August

- Vodafone acquired Vivendi's 50% stake in the Vizzavi Group companies that operate the joint venture mobile content business, taking its holding to 100%;
- Vodafone officially acquired the last of the former Mannesmann shares.

September

- Vodafone was reported to be in talks with the BT Group and Vivendi Universal about buying their stakes in Cegetel, a mobile operator based in France. BT Group holds a 26% stake in Cegetel and Vivendi a 44% stake.

November

- Agreement reached to buy France Telecom's 10.85% stake in Vodafone Panafon, increasing Vodafone's interest to 62.7%;
- Increased holding in Vodafone Libertel by 7.5% to 77.5%.

December

- Vodafone Australia agreed to sell its Globalstar satellite service to Localstar Pty Ltd.

37.6 CONTACT DETAILS

Vodafone Group Plc
The Courtyard, 2-4 London Road
NEWBURY BERKS RG14 1JX
UNITED KINGDOM

Tel: +44 1635 33251
Fax: +44 1635 45713
Website: www.vodafone.com

38. WIND TELECOMUNICAZIONI SPA (INC. INFOSTRADA)

38.1 COMPANY INFORMATION

Exhibit 78 – Wind Telecomunicazioni at a glance

Shareholders	<ul style="list-style-type: none"> • ENEL SpA 73.4% • France Telecom (via Orange) 26.6%
CEO	Tommaso Pompei
Year established	1997
Revenue 2001	€2.79 billion
Headquarters	Rome
Employees 2000	4,850

(Source: Paul Budde Communication, based on company data)

Wind Telecomunicazioni SpA (Wind) was established in December 1997 by three large European companies: ENEL, France Telecom and Deutsche Telekom. In July 2000, Deutsche Telekom sold its holding to the other two partners, and ENEL contributed its holding in Infostrada to the company.

Wind obtained both fixed and mobile telecommunications licences, in February 1998 and June 1998 respectively. The company's fixed and mobile telephone services were launched in March 1999. Its Internet service started in November 1999.

Wind was the first Italian company to offer total convergence between fixed telephone and the Internet. With this facility and the adoption of per second billing, its market share increased quickly, with 30% of its clients opting for convergent services. The company also offers Wireless Access Protocol (WAP) services and sells telephone handsets.

In October 2000, Wind was awarded one of five Universal Mobile Telecommunications Services (UMTS) licences put up for auction by the Italian Government, to provide third generation mobile services in Italy. In February 2001, it chose Ericsson to build a UMTS mobile telecommunications network in Italy.

In February 2001, the company commenced offering its mobile telephony clients a roaming service whilst in the US and Canada through a series of roaming agreements signed with BellSouth Corp, Pacific Bell, Nextel, Powertel and Microcell.

The Company plans to invest €2,900 million on infrastructure, software and content by 2010, with an initial €3,260 million to be invested during the first five years.

In September 2002, ENEL wrote down the value of its Wind telecommunications unit by €1.51 billion and postponed the sale of the unit, for at least two years.

38.1.1 Wind-Infostrada merger

In October 2000, ENEL and France Telecom reached an agreement whereby:

- Infostrada would be bought by ENEL from Vodafone;
- Wind (then owned 56.6% by ENEL and 43.3% by France Telecom) and Infostrada (acquired by ENEL from Vodafone in October 2000) would be merged;
- the shares would be amalgamated, with ENEL owning 73.4%, and France Telecom 26.6%;
- as soon as practicable after the merger, and subject to favourable market conditions, the new company would be listed on the Italian stock market with an estimated 25% being offered to the public. In August 2001, Wind estimated that the IPO would take place early 2002;
- after a period of 24 to 30 months following the merger, France Telecom would have the right to acquire shares from ENEL taking the shareholding to ENEL – 42.5%, France Telecom – 32.5%, public – 25%.

Infostrada became a wholly owned subsidiary of Wind in August 2001.

38.1.2 Parent companies

38.1.2.1 ENEL SpA

ENEL is a large Italian company, 68% government owned, that is involved in power generation and distribution, lighting, real estate, construction and telecommunications. ENEL's telecommunications are conducted through Wind, its joint venture company with France Telecom.

38.1.2.2 France Telecom

This is the major telecommunications company in France. For more information on the company's activities, see: *France telecom, chapter 12, page 86*.

38.1.3 Year 2001 results

Revenue increased 97% to € 2.79 billion. This included the revenue from Infostrada from August 1, 2001. Without the contribution from Infostrada, the increase would have been 63%. This led to an EBITDA of €46 million, positive for the first time.

The net loss was €782 million, including a once off charge of €113 million to integrate Infostrada.

Table 146 – Revenue for years ending December – 1999-2001

Year	(€ million)
1999	411
2000	1,325
2001	2,794

(Source: Paul Budde Communication, based on company data)

38.1.4 Operating statistics

Table 147 – Customers (thousands) – 1999-2001

Year	Fixed-line	Mobile	Internet
1999	>800	1,300	>62
2000	2,300	4,900	850
2001	7,000	7,900	8,900

(Source: Paul Budde Communication, based on company data)

Table 148 – Network coverage and market share – 1999-2001

Year	Mobile population coverage	Market share	
		Fixed-line	Mobile
1999	47%	17%	4%
2000	83%	n/a	n/a
2001	94%	62%	34%

(Source: Paul Budde Communication, based on company data)

38.2 THE NETWORK

Using the company's extensive fixed-line network, built on 18,000km of fibre optic backbone, mobile coverage reaches 94% of the population.

The network features:

- 18,000km of fibre optic cable;
- 2000km of local loops in over 30 cities;
- 113 cities connected;
- 257 cities with mobile coverage;
- 5,000 radio mobile base stations;
- 6 metropolitan fibre optics networks.

38.3 SUBSIDIARIES

Exhibit 79 – Major subsidiaries

Subsidiary	Main Operations	Head office	Share
ITnet SpA	Internet Service Provider (ISP) for the corporate market	Rome	99%
Mondo WIND	Marketing of telecom products and services	Rome	99%
Infostrada	Fixed-line and mobile telephone services, Internet services	Milan	100%

(Source: Paul Budde Communication, based on company data).

38.3.1 *ITnet SpA*

ITnet, a leading ISP in Italy, was acquired by Wind in September 1999. It offers Internet connectivity and services to corporate users, and has been active on the Italian market since 1994. ITnet was assigned the implementation of Wind's Internet offering for corporate customers.

38.3.2 *Mondo WIND srl*

Mondo WIND was incorporated by Wind in October 1999. Its task is to ensure distribution, testing, installation, technical assistance and wholesale and retail marketing of telecommunications products and services. In December 1999, Mondo WIND opened a retail shop in the historical centre of Rome.

38.3.3 *Infostrada (historic)*

Infostrada is a large Italian alternative telephone operator for fixed-line services and a supplier of data transmission and Internet services. With the launch of its long-distance calling services for residential clients in September 1998, it became the first company to challenge Telecom Italia's stronghold over Italy's telephone market. It has a completely digital fibre optic network that, in June 2000, was 6,500 km long.

During 2000, the company invested L730 billion, of which L488 billion were for network and L174 billion for information systems. In the period 1998-2000 Infostrada invested altogether over L2,600 billion.

Infostrada's registered office is in Milan, but it counts on a capillary network of commercial offices throughout Italy.

38.3.3.1 *Infostrada brief history*

Founded in 1995 by Olivetti, Infostrada launched its fixed telephone services for companies in July 1998, after obtaining its licence and interconnection with the Telecom Italia network. It began to offer long-distance and local telephone services for the residential market in September 1998 and November 1999 respectively.

Following a strategic agreement between the Olivetti Group and the German group Mannesmann, in 1997 Infostrada became one of the main shareholdings of Oliman, an Olivetti-Mannesmann joint venture holding company. In June 1999, Infostrada was transferred to Omnistrada, a holding company owned 100% by Mannesmann.

Mannesmann was acquired by the UK group Vodafone Airtouch in February 2000 and, in the following October, Vodafone agreed to sell Infostrada to ENEL. This transaction allowed for a merger between Infostrada and ENEL's subsidiary Wind.

38.3.3.2 *Infostrada financial results – 2000*

- Operating revenues increased 29% to L1,805 billion (€930 million);
- Infostrada reached a positive EBITDA for the first time, of L23 billion (€12 million).

Table 149 – Revenue for years ending December – 1998-2000

Year	(L billion)	(€ million)
1998	271	140
1999	1,400	723
2000	1,805	930

(Source: Paul Budde Communication, based on company data)

38.3.3.3 *Infostrada operating statistics***Table 150 – Customers (thousands) – 1998-2000**

Year	Customers (thousands)			Market share	
	Voice	Internet	Total	Voice	Internet
1998	905	111	1,016	n/a	n/a
1999	2,500	1,500	4,000	10%	35%
2000	3,500	4,100	7,600	16%	26%

(Source: Paul Budde Communication, based on company data)

Table 151 – Total traffic (billions of minutes) – 1998-2000

Year	Voice	Internet
1998	2	1
1999	5	6
2000	n/a	20

(Source: Paul Budde Communication, based on company data)

38.3.3.4 *Infostrada's operating companies*

- **Libero** – Internet access, including ADSL;
- **ItaliaOnLine** – Italian portal covering news, entertainment, chat rooms, shopping etc;
- **Web Content** – designs Websites that allow users visiting the site to talk with an operator, directly over the Internet;
- **Net24** – Infostrada's ADSL product for homes and businesses. With a single telephone line, it allows connection of a computer or Local Area Network (LAN) to the Internet at high-speed;
- **Web Residence** – offers a range of services for Small to Medium-Sized Enterprises (SMEs) to enable them to implement e-commerce;
- **Web Channel** – provides products that allow the transmission of audio and video on the Internet, both live and recorded.

38.3.3.5 *The Infostrada network***Table 152 – Network overview – 1998-2000**

Year	Fibre optic cable	MAN networks	Switches	Internet PoPs	Points of access
1998	1,772 km	49 km	7	n/a	n/a
1999	5,052 km	245 km	17	12	550
2000	6,500 km	786 km	n/a	n/a	n/a

(Source: Paul Budde Communication, based on company data)

With a total of 6,500 km of fibre optic cable, including backbone and Metropolitan Area Networks (MAN), Infostrada's telecommunications network is one of Italy's largest. The heart of the network is the 5,600km fibre optic backbone, which unites the major Italian cities along the route of the Italian state railway system.

The network uses digital technologies for integrated voice, data and Internet transmission, and employs Dense Wavelength Division Multiplexing (DWDM) technology. Its (Synchronous Digital Hierarchy (SDH) architecture, combined with a ring network structure, provides alternative routes between backbone nodes in case of breakdowns.

The Metropolitan Area Networks are optic fibre rings that collect and distribute local traffic to and from the backbone, and comprised more than 700 km in nine Italian cities at December 2000. Another 13 cities were in the stage of development.

When the Italian fixed telecommunications market is fully deregulated, Infostrada will offer 'last mile' services that will include:

- copper pairs;
- optic fibre;
- Wireless Local Loop (WLL) point – multipoint radio links.

The unbundling of the local loop, slated for the second half of 2001, and extensive use of xDigital Subscriber Line (xDSL) will make it possible to offer broadband services to large market segments.

By end-2000, Infostrada's IP network was complete, enabling IP Multicast.

38.4 INTERNATIONAL ACTIVITIES

In August 2001, Wind embarked on its first international venture, entering into an agreement with Public Power Corporation (PPC), the operator for electric power in Greece, to provide a nation-wide broad band telecommunication service. The two companies formed a 50/50 joint venture, which will set up a last generation fibre optic super highway and provide fixed telephony services, multimedia services and Internet applications.

In October 2001, Wind and Banca Sella formed a company to provide access to banking and financial services over the mobile phone and the Internet. The new company, Mobilmat, will be owned 85% by Wind and 15% by Banca Sella. A range of new mobile services is to be developed for use with GSM, WAP, GPRS and, in the future, UMTS technology.

38.5 SERVICES

38.5.1 Residential customer services

38.5.1.1 Fixed-line telephone services

Wind's fixed-line telephone services include:

- Filo Diretto WIND – direct line service, no access code required;
- Conto WIND – detailed billing.

38.5.1.2 Mobile telephone services

Wind's mobile telephone services include:

- FollowWind – personal mail box, for messages, faxes and e-mails;
- GPRS – for high-speed connection;
- WAP di Wind – mobile Internet access;
- Wind EUREKA! – information, entertainment and games;

- WindAscolta – answering service;
- Wind Dati & Fax – Internet access, fax, data bank access and company network connection;
- WindScrive – to send SMSs and e-mails;
- HiWind – high performance Sim card.

38.5.1.3 Internet services

Wind's Internet services include:

- inwind Internet access;
- inwind Portal – including a search engine, chat rooms, message boards, maps, and five infotainment channels.

38.5.2 Corporate customer services

38.5.2.1 Fixed and mobile services

Wind's fixed and mobile telephone services for corporate customers include:

- WIND Top – convergence solution for fixed-line, mobile, and data communications;
- WIND Company – access to WIND virtual Private Network (WPN) service;
- WIND Office – convergence solution for SMEs;
- WIND Voce 1088 – Small Office Home Office (SOHO) offering, using 1088 access code;
- WIND Numero Verde – to set up a direct line for client information or assistance;
- WIND Full Card – prepaid card;
- WIND SMS – using Wind's SMS gate service to send large numbers of short messages.

38.5.2.2 Data communication services

Wind's data communication services for corporate customers include:

- WIND Net – Internet access, including dedicated, ADSL and ULL;
- WIND Connect – includes Internet, intranet, GPRS and VoIP;
- WIND Link and WIND Race – for ISPs and ASPs.

38.6 OTHER DEVELOPMENTS

38.6.1 Year 2002

July

- Wind activated its first PoP in London.

38.7 CONTACT DETAILS

Wind Telecomunicazioni, SpA
Via G. C. Viola 48
00148 ROME
ITALY

Tel: +39 6 8311 4600
Fax: +39 6 8311 4601
Website: www.wind.it