Autorità per le garanzie nelle comunicazioni

Quarterly Telecommunication Markets Observatory (*)

- Updated to 30 September 2014 -

(*) – Data provided by operators and elaborated by Agcom.

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Focus – Price in the sector

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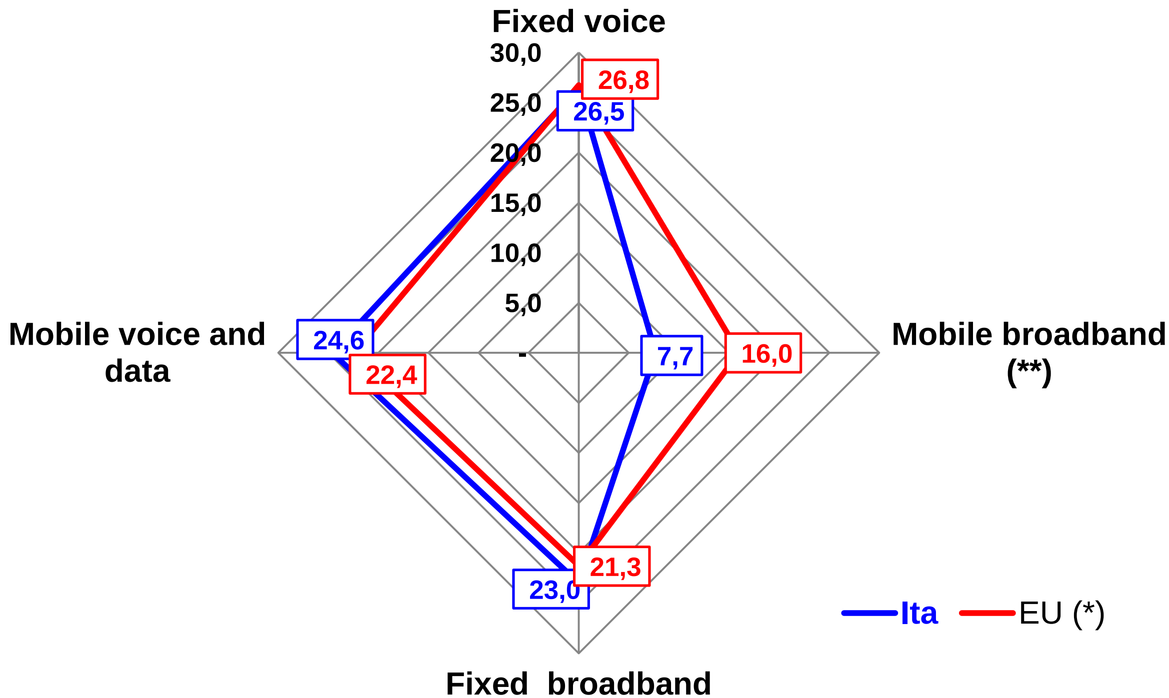
8. Mobile broadband (MNO+MVNO)
9. Mobile telephony: number portability

Focus – Telecommunications prices in Europe [1]



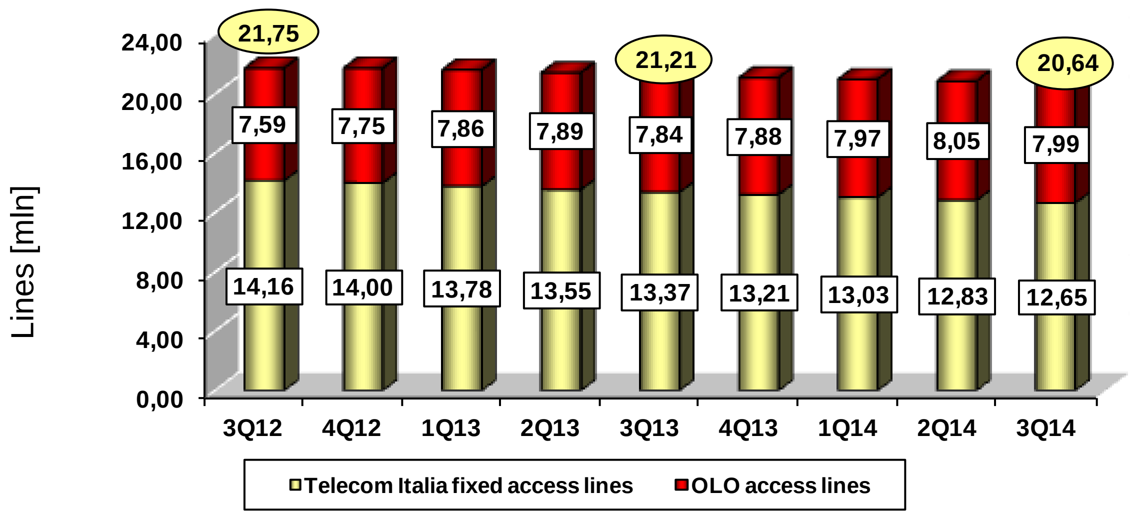
- Fixed Network – Italy is in line with Europen average price value for traditional fixed voice service, and above the average prices for broadband services
- Mobile network – Italy is above the average prices for bundle offers (data and voice), but lower for only data mobile service

[1] – Data (July 2014) make reference to average prices (with respect to £ (PPP)/mese) of some baskets of services designed to catch different consumers profile. For greater details, looking at Ofcom, "The Telecommunications market 2014" (Dec. 2014) – pages 83-113 (Chap. "2.Comparative international pricing" and "Appendix B, - Comparative international pricing methotology ", pages. 338-365 - http://stakeholders.ofcom.org.uk/market-data-research/market-data/communications-market-reports/cmr14/

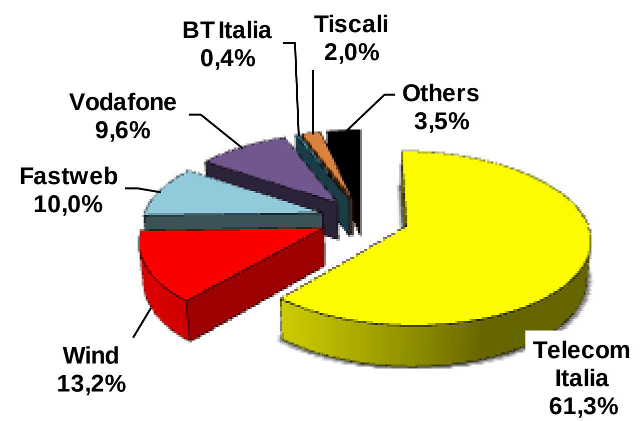
(*) – Average value of Germany, France , Spain, UK (**) - Values about "dedicated data-only mobile broadband connections"

Source: Agcom evaluation on Ofcom data

1. Fixed network: access lines (total) (1)

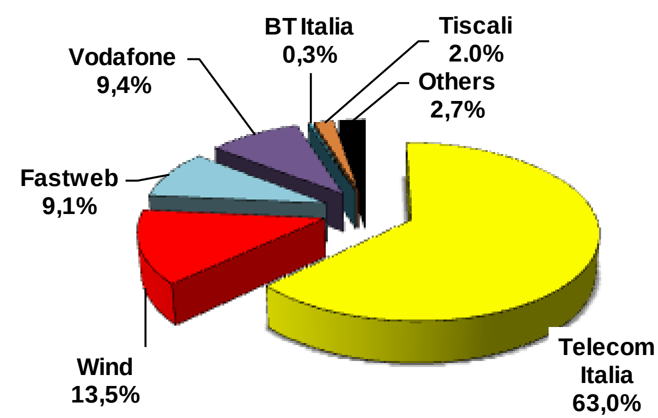


3Q2014



- On yearly basis, direct fixed access lines decreased by about 560 thousands (-1.1 millions in the last two year).
- In the last two years the customer base of Telecom Italia, has decreased by about 1.5 million lines. Of these, only 400 thousand (25%) has been “recovered” by OLOs.
- In the last twelve months, Telecom Italia’s market share further decreased by 1.7%, to 61.3%.
- Fastweb confirms his growth trend, reaching a market share about 10% (YoY +0.9%).
- The market share of the other main OLOs remain stables only Wind decrease his market share (-0.3%).
- **The weight of other operators has grown (+0.8%), mainly due FWA services.**

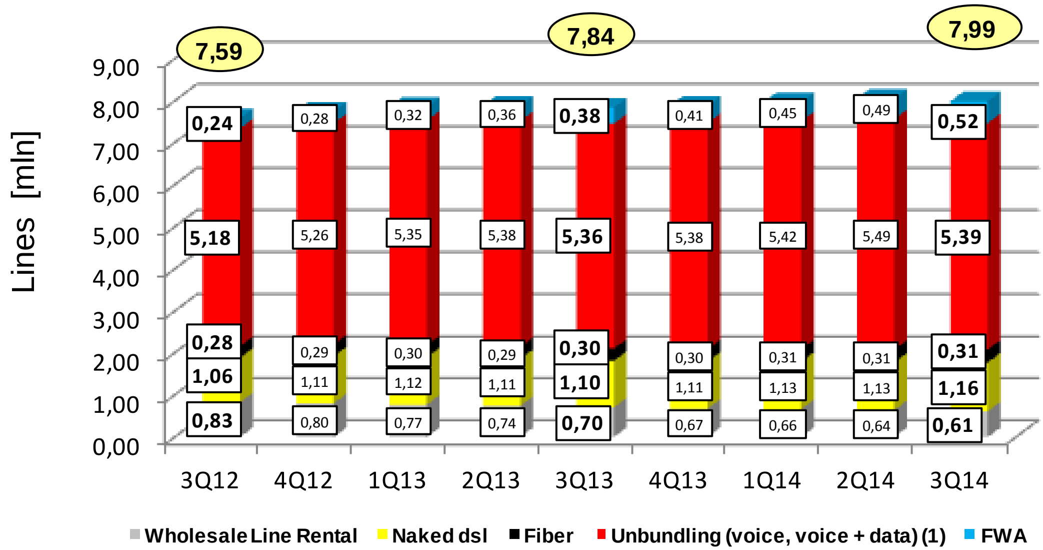
3Q2013



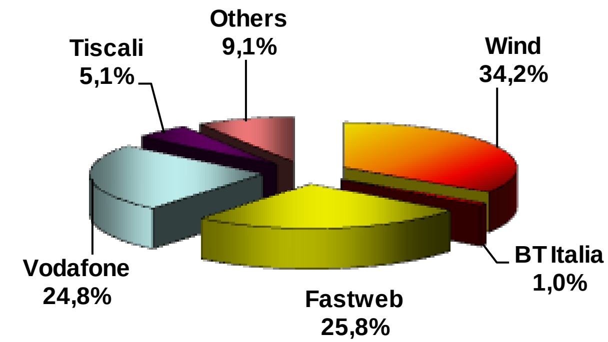
Source: Agcom evaluation on data provided by operators

(1) Including Telecom Italia physical access, full unbundling (voice and data), SLU, Dsl Naked, WLR, FWA and fiber lines.

2. Fixed network: access lines (new entrants)

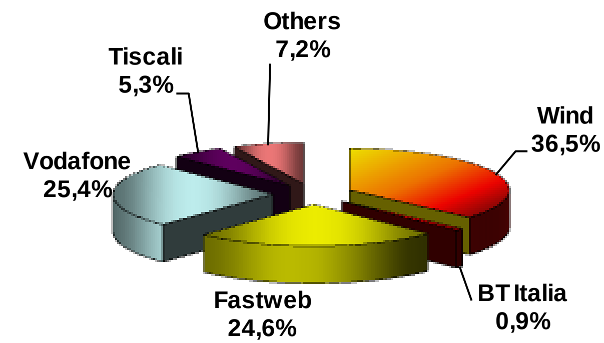


3Q2014



- On a yearly basis the number of accesses lines grew by about 150 thousands (400 thousands compared to September 2012), slight decreasing with respect to the previous quarter (-60 thousands).
- Full LLU lines (1) remain stable, mainly due the growth of SLU services (150 thousand at end of September), while the WLR lines decreased by about 90 thousands.
- With respect to access lines indicator, Wind ranks at the first place (34.2%), while it has experienced a decline on a YoY by 2.3%.
- **FWA access exceed 500 thousands lines, with principal operators in this market segment Linkem (41.9%), NGI (28.9%) and Aria (24.5%).**(2)

3Q2013

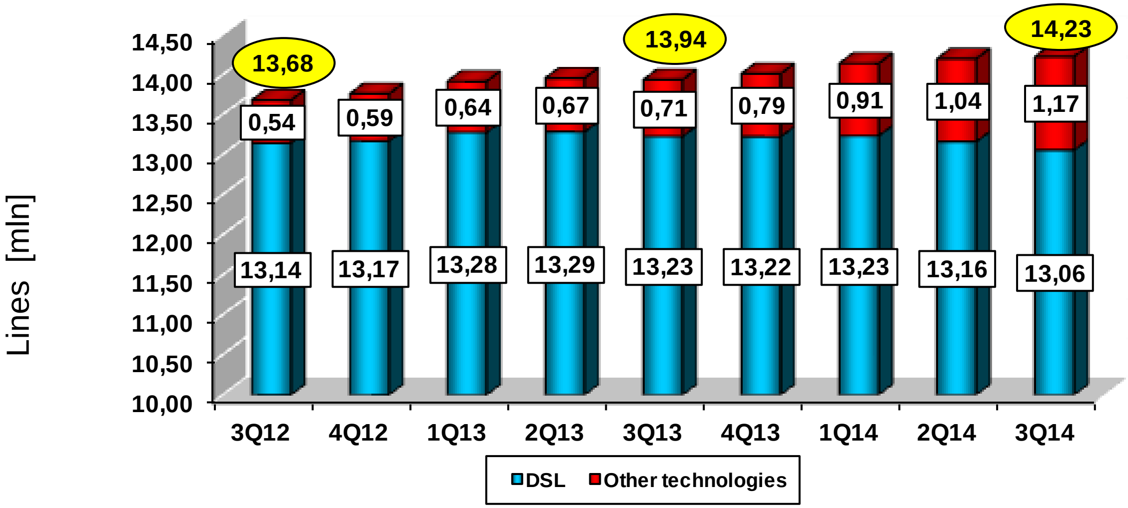


Source: Agcom evaluation on data provided by operators

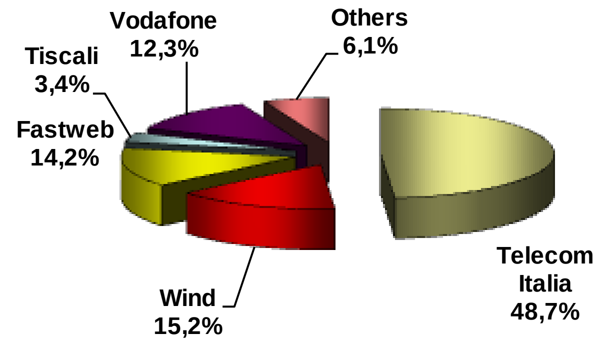
(1) – Including virtual LLU and Subloop ULL.

(2) – Including Aria, Linkem, Mandarin and Go Internet (ex WaveMax) and NGI

3. Fixed network: retail broadband access lines

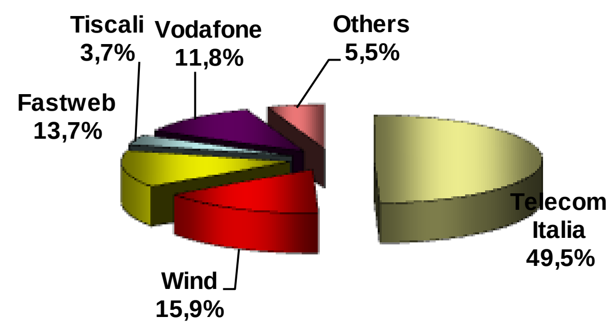


3Q2014



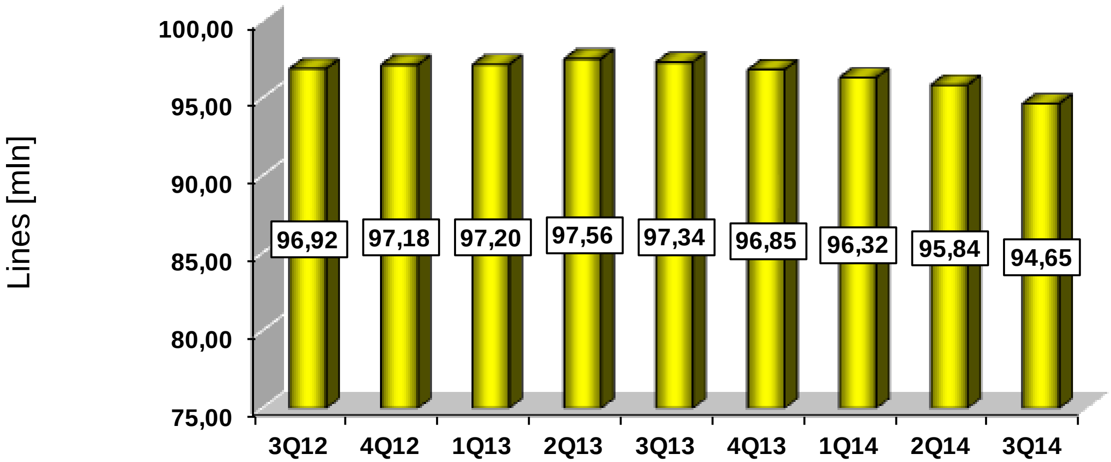
- YoY, broadband lines growth of about +290 thousands. Compared with last June, the customer base increased by about +30 thousands lines.
- From the beginning of the year the number of xDSL lines has decreased by about -170 thousand.
- **The access lines that use other technologies reached about 1.2 million, mainly due to FWA lines (+104 thousands) and NGA lines (+277 thousands). NGA lines (640 thousands as a whole) represent the 4,5% of the broadband lines (2,3% in September)**
- Telecom Italia market share has been reduced on a yearly basis of 0.8%, falling to 48.7%. Also Wind has lost market share (-0.7%) reaching a value of 15.2%.
- Fastweb and Vodafone are the main beneficiaries (+0.5%), and mainly FWA operators (+0.6%) as smaller companies.
- Compared with 3Q13, Wind market share shows a slight decrease (-0.6%)

3Q2013

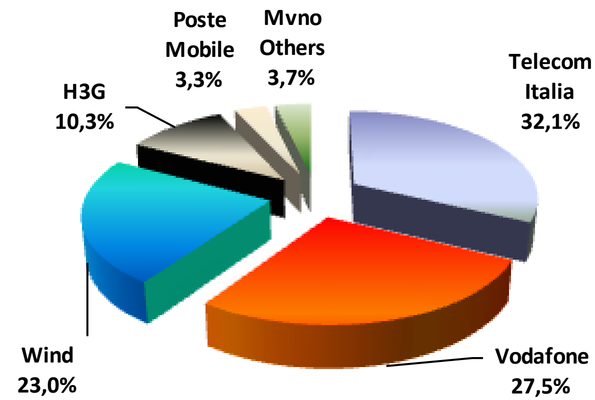


Source: Agcom evaluation on data provided by operators

4. Mobile lines: MNO + MVNO

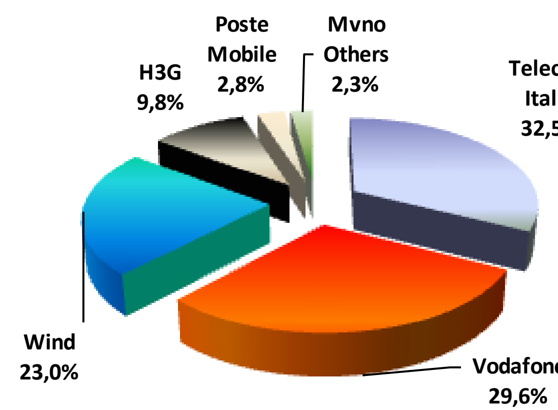


3Q2014

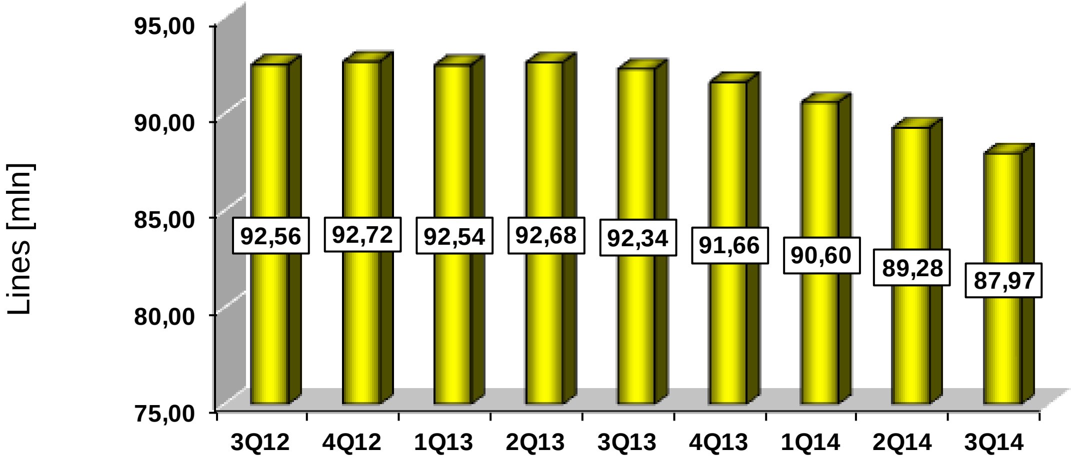


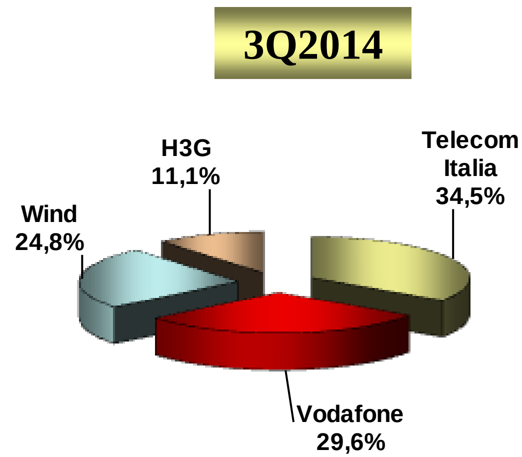
- Compared to previous quarter, the customer base decreased by about 1.2 million lines.
- **The reduction reaches -2.7 millions on yearly basis, value obtained through a reduction of 4.4 millions for the MNO and a growth of 1.7 for MVNO.**
- A pronounced decrease of Vodafone market share (-2.1%) is recorded, from this reduction takes advantage mainly the MVNO (+2.9%); H3G increases his market share (+0.5%) taking advantage from Telecom Italia (-0.4%).
- At the end there has been a reduction of market concentration.

3Q2013

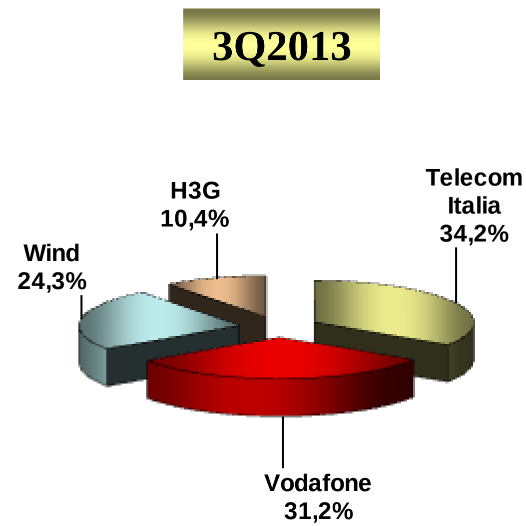


5. Mobile lines: MNO





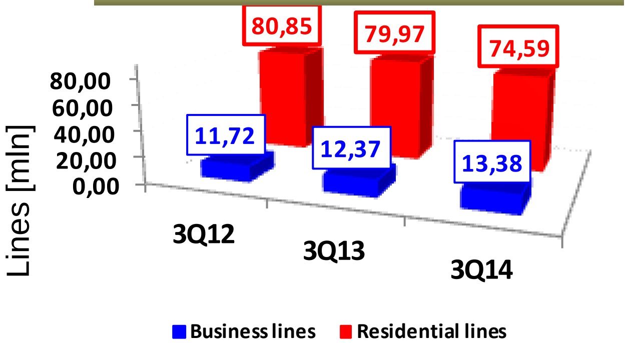
- **From the beginning of the year the customer base has declined more than 3.7 million.**
- YoY the “only voice” sim decreased about 11.1 million (-16.3 million with respect to September 2012).
- In the same time, the number of prepaid lines decreased by 3.8 millions, but, although to a lesser extent, also the number of postpaid lines decreased (-600 thousands).
- YoY, voice traffic (more than 118 billion minutes) increased by 5.8%.
- In the same time the SMS traffic continues to decline (with 36 billion SMS sent, the reduction is about 41% on an yearly basis).



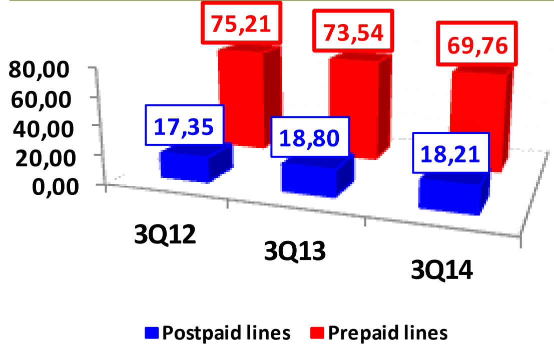
Source: Agcom evaluation on data provided by operators

6. Mobile lines: by customer/contract type (MNO)

Customer type



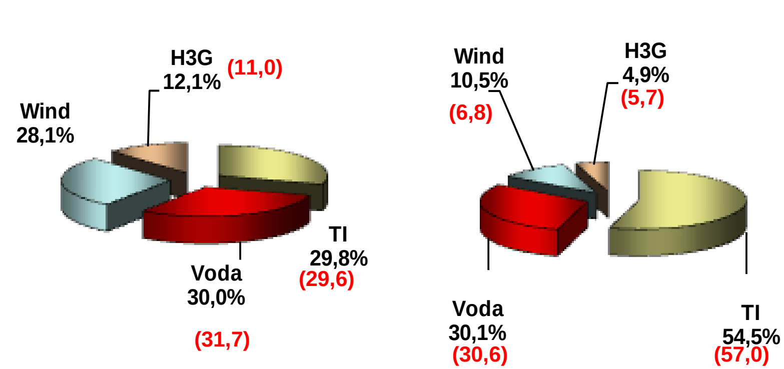
Contract type



Market share by customers – 3Q2014 (%)

Residential

Business



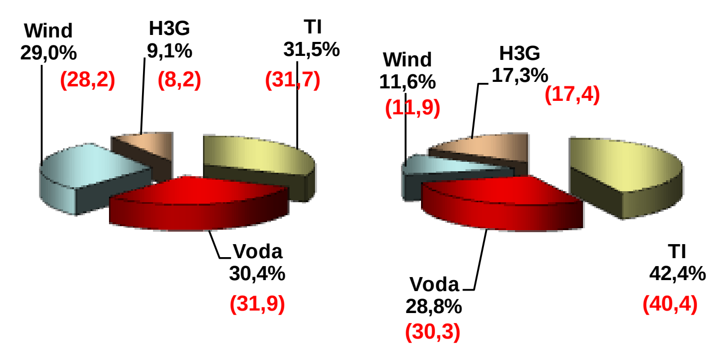
Customer type (1)

- Business customers (13.4 millions of SIM in September) increased on a yearly basis by about 1 million lines, while the residential segment (74.6 millions of SIM) experienced a decrease by about 5.4 millions.
- The business segment's market share increased by 1.8% (from 13.4% to 15.2% of the total customer base).
- **The first operator in the residential segment is Vodafone (30.0%), followed by Telecom Italia (29.8%) and Wind (28.1%).**

Market share by contracts – 3Q2014 (%)

Prepaid

Postpaid



Contract type (1)

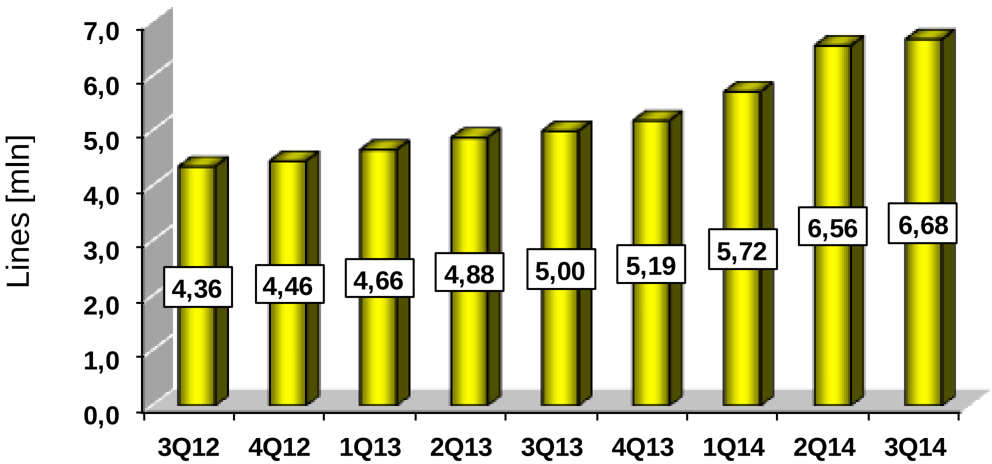
- The 79.3% of active lines are "prepaid" (79.6% compared to September 2013).
- In two years, the postpaid lines increased, in absolute terms, by about 870 thousands, while the **prepaid decreased, by more than 5.5 millions**.
- In the "prepaid" market, with respect to September 2013, Telecom Italia (-0.2%) and Vodafone (-1.5%) decrease their market shares, while Wind reached 29% growing by some 0.8% YoY.
- Telecom Italia leads the "postpaid" segment with 42.4% of market share

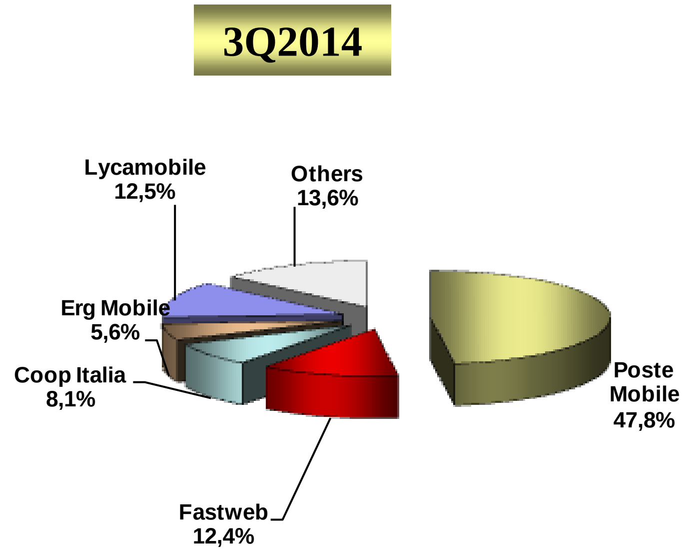
(the corresponding values for September 2013 are shown in brackets)

Source: Agcom evaluation on data provided by operators

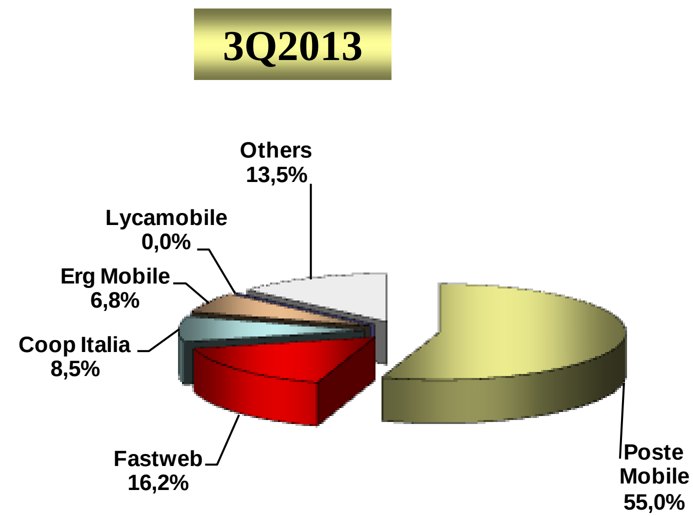
(1) - As a result of reclassifications and updates of corporate databases operated by Wind, the data are not entirely consistent with previous Observatory's review

7. Mobile lines: MVNO





- The MVNO subscribers continue to grow, reaching 6.7 million and on an yearly basis of 1.68 million, half of which can be attributable to Lycamobile that started the activity at the beginning of the year. This one, with 12.5% of market share is the second operator.
- Poste Mobile, with 47.8% of market share, lost 7.2% with respect to September 2013, but recover with respect to June (+ 0.4%).
- On an annual basis the MVNO traffic (*) grows by over 40% while the text messages sent are reduced by about 15%.

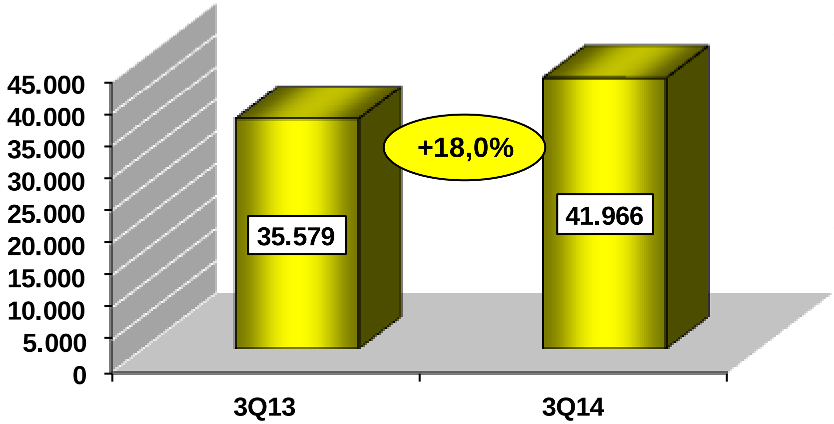


(*) - During 2013 it was not in the market Lycamobile.

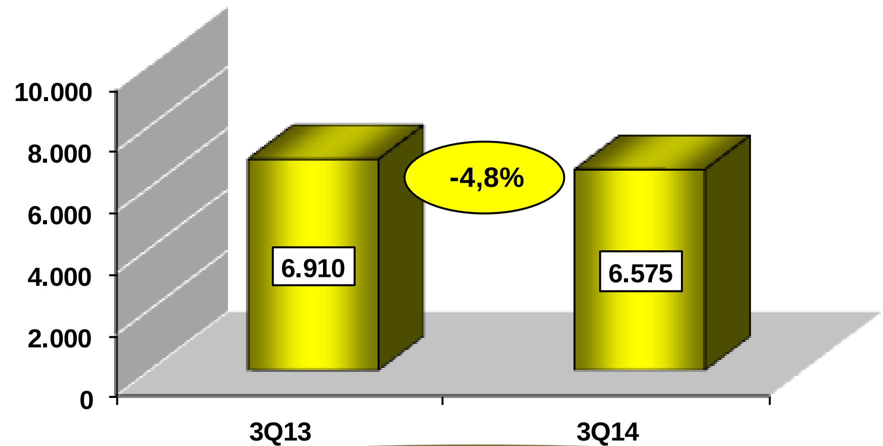
Source: Agcom evaluation on data provided by operators

8. Mobile broadband (MNO+MVNO)

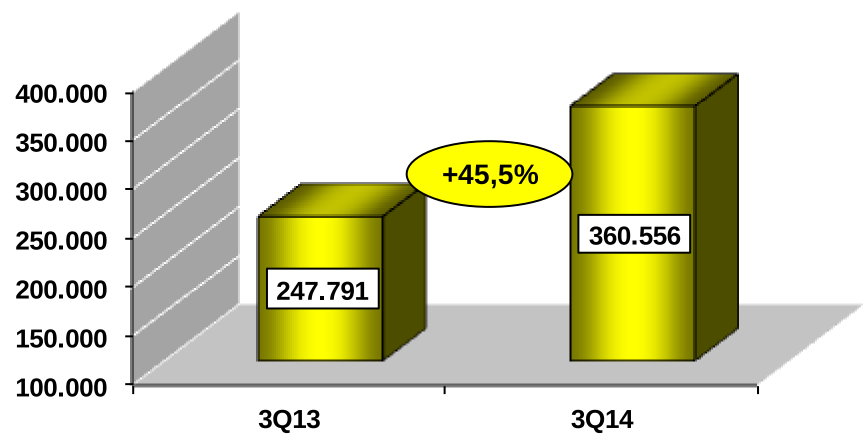
Sim data traffic (*1000)



Connect card (*1000)



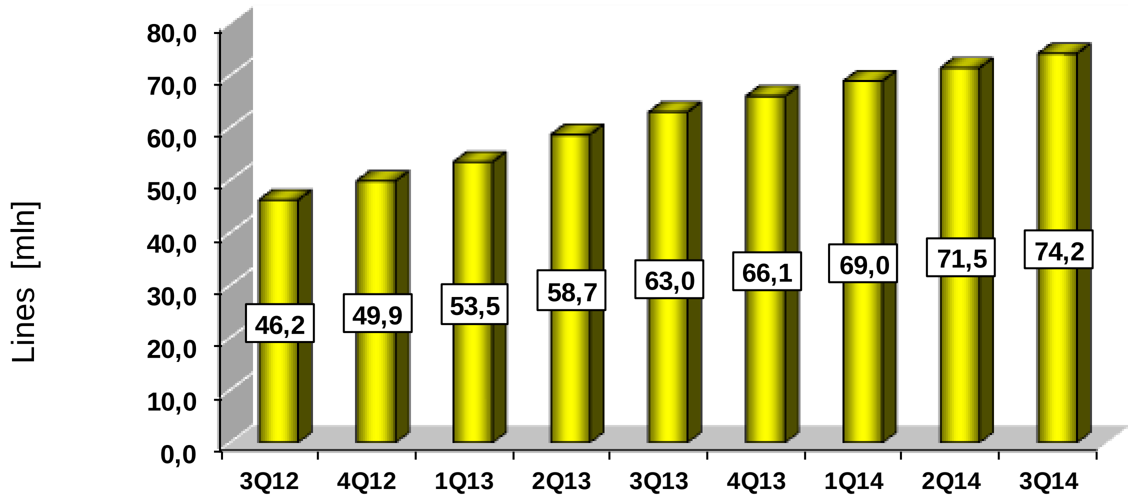
Data traffic from the b.y. (terabyte)



- **In 3Q2014, SIMs that made broadband data traffic reached about 42 millions (+18% YoY) and in the last two years increased from to 29% to 44% of total customer base.**
- The dedicated connect card declined by 4.8%, while in the mean time strong growth for which is foresees a dedicated "data subscription".
- **YoY, data traffic has grown by 45.5%, more than correspondingly observed last year (+33.7%).**

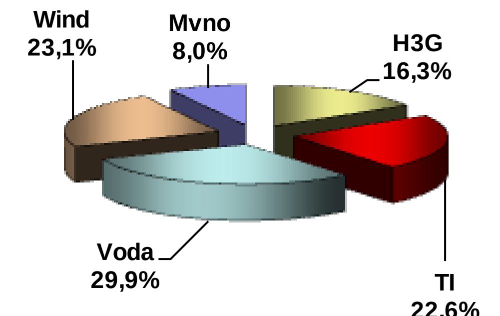
Source: Agcom evaluation on data provided by operators

9. Mobile telephony - number portability

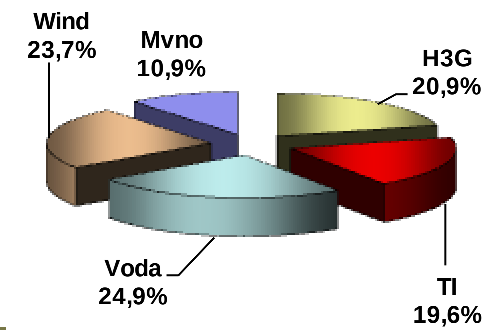


- At the end of September 2014, the number of ported lines exceeds, for all operators 74 millions.
- YoY MVNO were able to adds more than 1.8 million lines cumulatively, slightly increased with respect to June.
- YoY, a positive trend is present for H3G (+788 thousands) and MVNO (+328 thousands), for MVNO (+328 thousands), instead a negative trend is measured for Vodafone (-538 thousands), Telecom Italia (-377 thousands) and Wind (-201 thousands).
- From the beginning of the year, the total number of procedures MNP declined by 38% compared to the corresponding value of 2013.
- **YoY, the "mobility index" shows a slowdown (from 29.9% to 19.1%).**

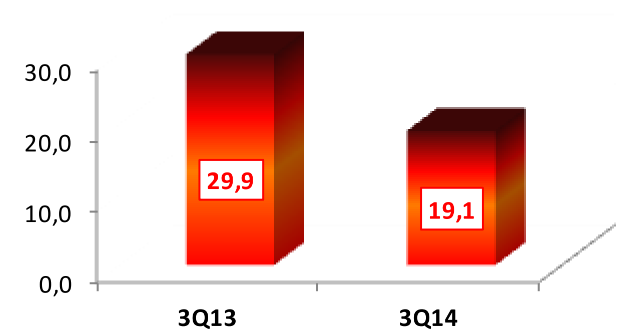
3Q14 - Lines as donor (in the quarter)



3Q14 - Lines as recipient (in the quarter)



Mobility index (%) (*)



Source: Agcom evaluation on data provided by operators

(*) – Ratio total lines donated / acquired during 1H2014 and the average overall customer base (excluding m2m)