Autorità per le garanzie nelle comunicazioni

Quarterly Telecommunication Markets Observatory (*)

- Updated to 31 December 2013 -

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

Index

Focus – Main Undertakings of Internet value chain

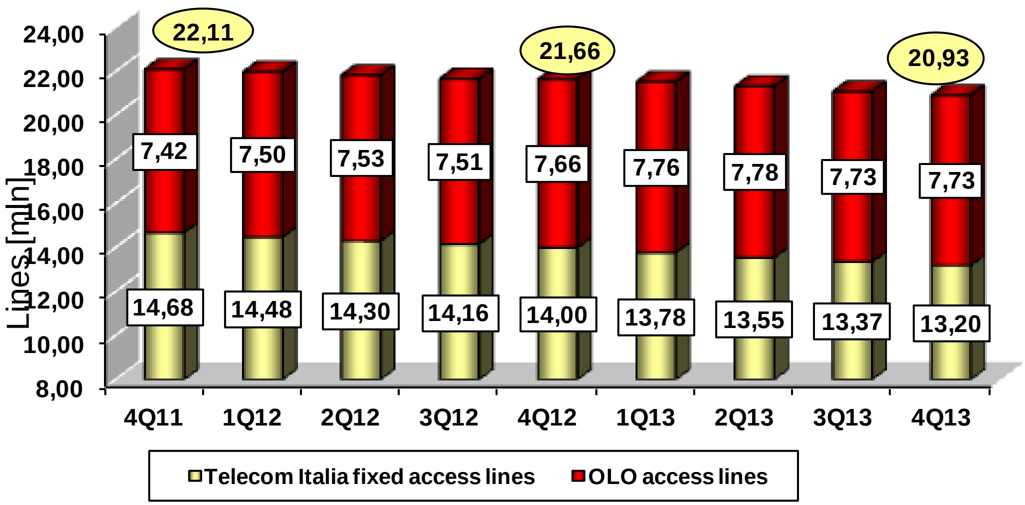
Focus – Main operators in internet value chain – Worldwide market shares (*) (2012)

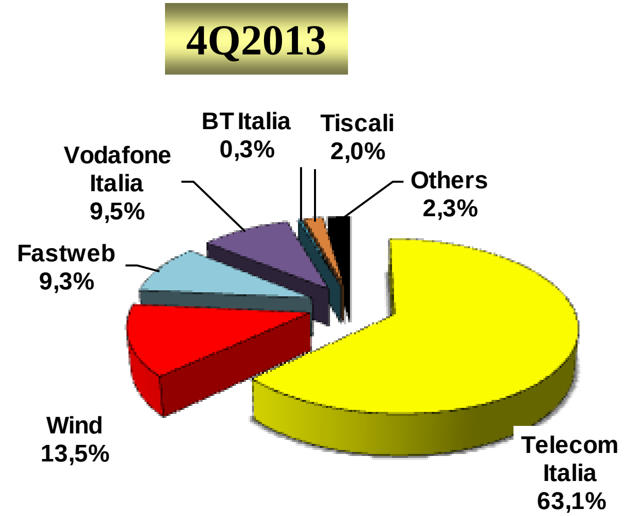
	Upstream markets				Horizontal markets			Online advertising
	Operating systems		Browser		Search	Social network	Portals	
	Computer	Mobile	Computer	Mobile				
Google	-	First operator (37%)	First operator (40%)	First operator (43%)	First operator (90%)	Negligible (<1%)	-	First operator (32%)
Microsoft	First operator (91%)	Negligible (<1%)	Second operator (29%)	(3%)	Second operator (7%)	Negligible (<1%)	Third operator (12%)	(3%)
Apple	Second operator (7%)	Second operator (25%)	(8%)	Second operator (39%)	-	Negligible (<1%)	-	-
facebook	-	-	-	-	-	First operator (79%)	-	Second operator (4%)
YAHOO!	-	-	-	-	-	Negligible (<1%)	First operator (26%)	(3%)

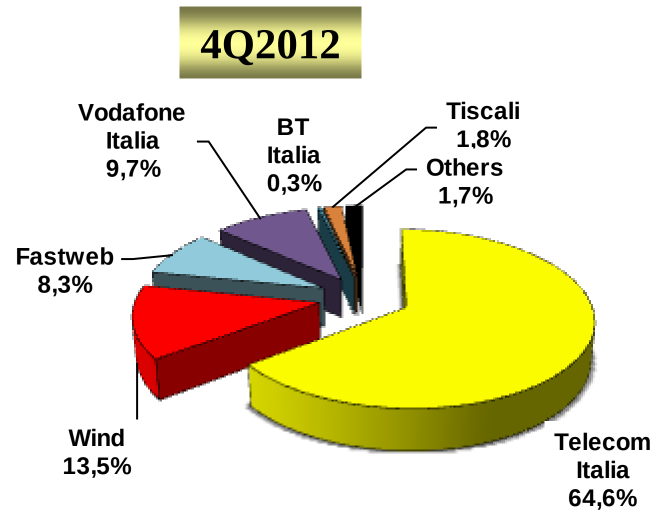
(*) - Market shares are calculate on specific volume indicators . For more details, see http://www.agcom.it/Default.aspx?DocID=12645

Source: Agcom evaluation on comScore, NetMarketShare, StatCounter, eMarketer

1. Fixed access lines (total) (1)





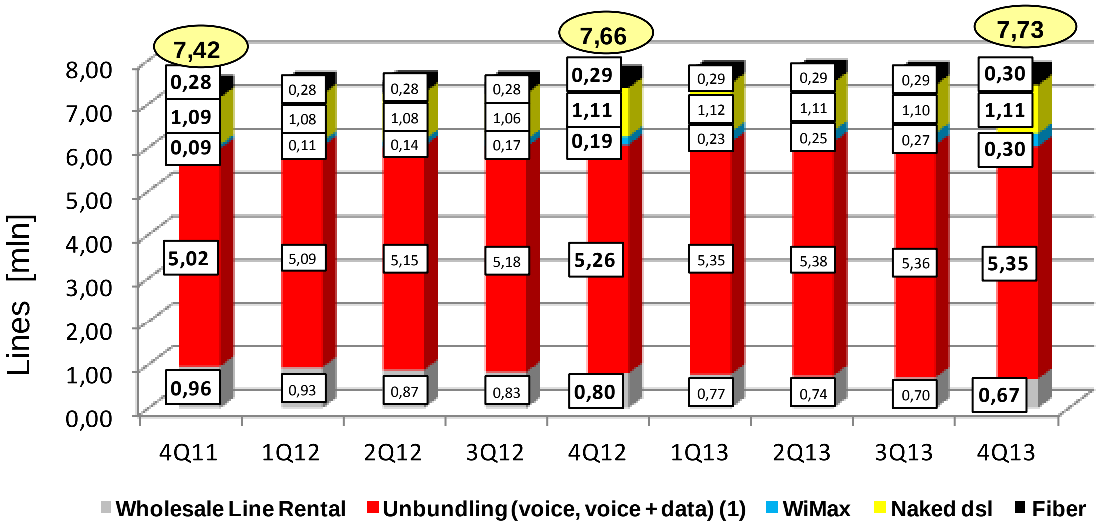


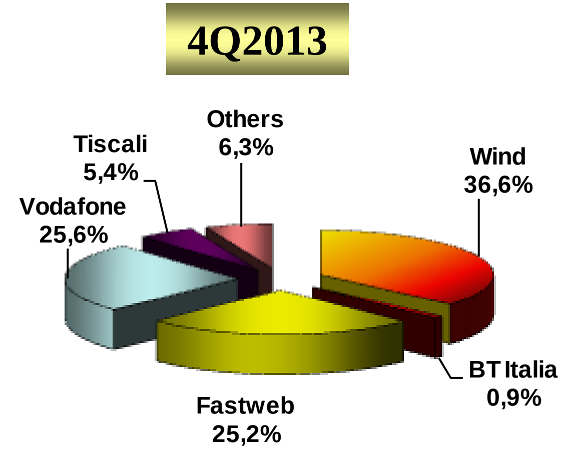
- Compared to December 2012, direct fixed access lines decreased by about 730 thousands (-1,2 millions in the last two year), slightly higher compared to the previous year (about -450 thousands).
- The fixed lines reduction is a strong disincentive for NGA investment, as outlined also in the recent Caio's report.*
- In the last twelve months, Telecom Italia's market share further decreased by 1.5%, to 63.1%.
- Basically takes advantage Fastweb, (YoY + 1.0%), confirming previously quarters trends, and reaching now Vodafone market share (-0,2%).
- Wind's market share, remains stable as compared both on yearly and quarterly basis.
- Tiscali shows a slight increase on annual basis (+0.2%).

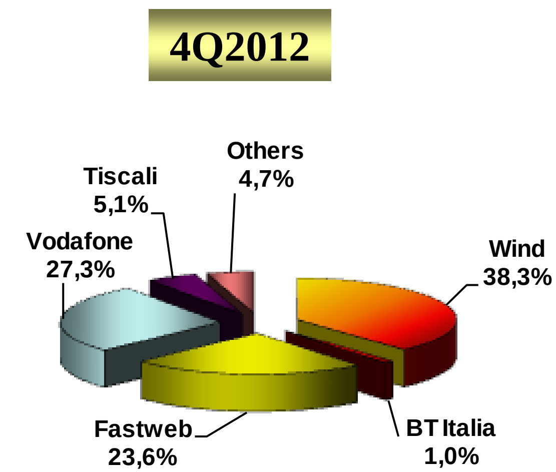
(1) Including Telecom Italia physical access, full unbundling (voice and data), Dsl Naked, WLR, Wimax and fiber lines.

Source: Agcom evaluation on data provided by operators

2. Fixed access lines (new entrants)



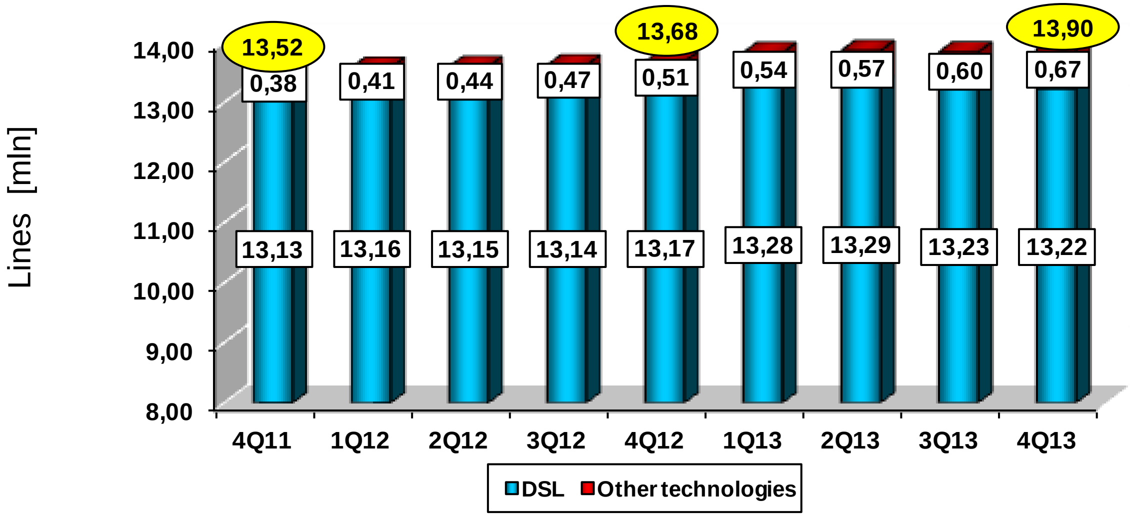


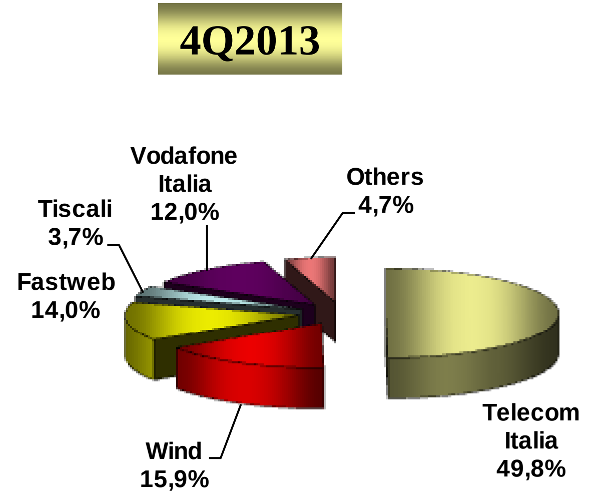


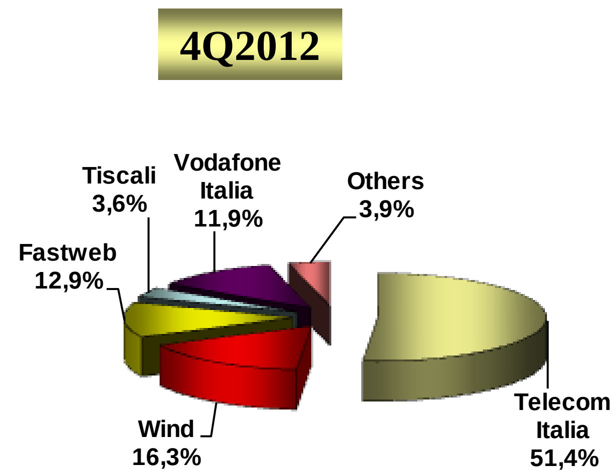
- On a yearly basis number of accesses lines grew by about 70 thousands (230 thousands in the previous year), showing a stable dynamics on a quaterly basis.
- The growth of Full LLU lines **(1)** (+90 thousands on a yearly basis) match with a reduction of WLR lines (about 130 thousands).
- In the last year, excluding WiMax growth, there is a reduction of overall OLO accesses lines (-30 thousand), compared with the increase of 120 thousand recorded in 2012.
- With respect to access lines indicator, Wind ranks at the first place (36.6%), but has experienced a decline on a YoY, as Vodafone, by 1.7%.
- In the mean time Fastweb's market share has increased on yearly basis (+1.6%).
- The increase of WiMax access lines, which now equals FTTH lines, represents the overall increase of access line on a yearly basis.
- Linkem represents over the 56% of the specific segment followed by Aria (38%). **(2)**

Source: Agcom evaluation on data provided by operators **(1)** – Including virtual LLU. **(2)** – Including Aria, Linkem, Mandarin e WaveMax.

3. Retail broadband access lines



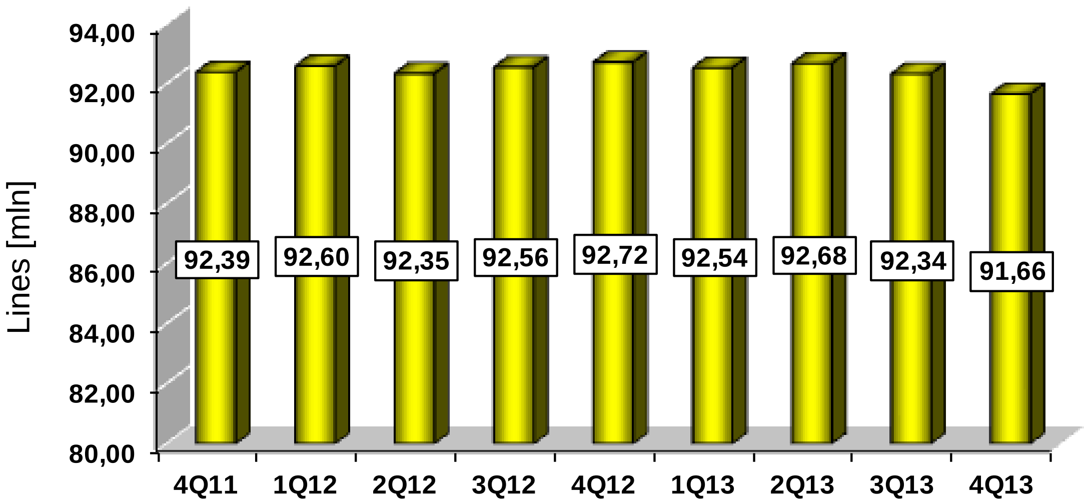


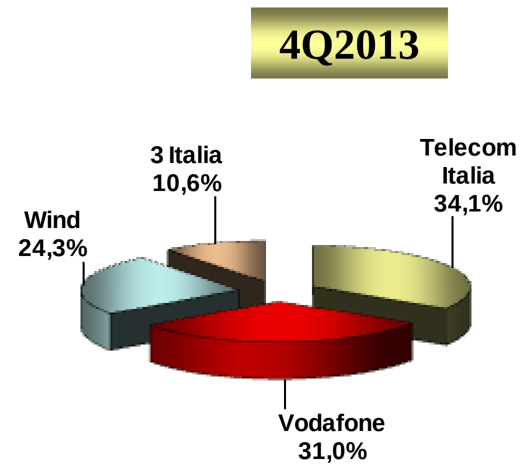


- YoY, broadband lines growth of about +220 thousands (+160 thousands in 2012). Compared with September, the customer base slightly increased (+7 thousands lines).
- During 2013 the number of DSL lines remain essentially stable (+50 thousand), while the overall growth is largely represented by WiMax (+103 thousand) lines increase.
- Despite the success of fiber lines in the last quarter, Telecom Italia' market share has been reduced on a yearly basis of 1.6%, falling to 49.8%.
- That is benefits Fastweb (+1.1%), as other smaller companies, largely represented by WiMax operators (+0.8%).
- The market shares of Vodafone and Wind, compared to December 2012, remain substantially stable (respectively +0.1% and -0.4%).

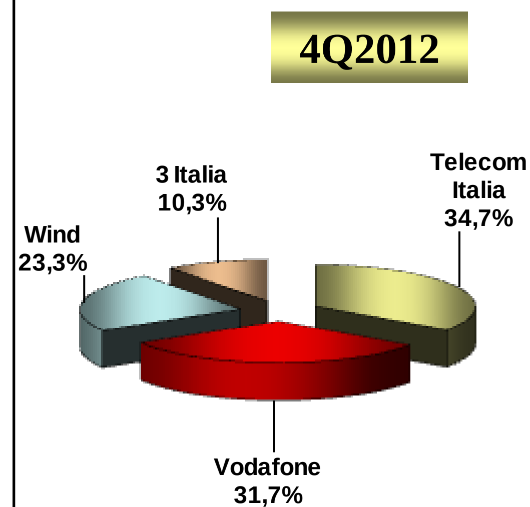
Source: Agcom evaluation on data provided by operators

4. Mobile subscribers – customer base (excl. MVNO, see slide 7)





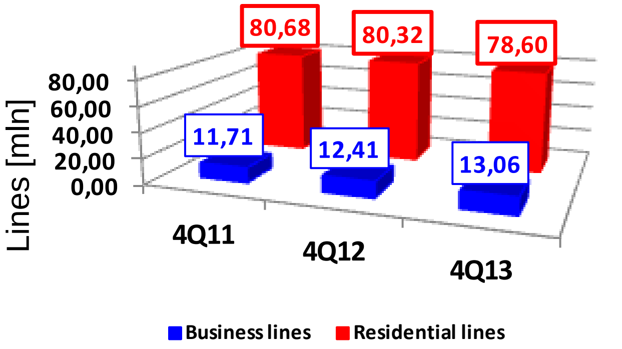
- The market, is essentially mature. As witnessed by the operations of NPM (3.5 million of requests per quarter in average), new customers can be acquired only by other operators. This has encouraged a "price war".
- YoY, the customer base decreased by more than 1 million, in the mean time showed a reduction compared with previous quarter (-680 thousands).
- YoY the “Only voice” sim decreased by some 8.4 million (-12,9 million YoY).
- YoY, the number of residential lines decreased (1,7 thousands), business lines increased about +650 thousands.
- In the mean time, the number of prepaid lines decreased of 1.8 millions, while the number of postpaid lines increased by 800 thousands.
- On an annual basis, the market shares of Telecom and Vodafone decreased both in favor of H3G (+0.3%), and, on greater extent, in favor of Wind (+1.0%).
- YoY, voice traffic (150 billion minutes) increased by 8.6%, while continue to decline the SMS (76.7 billion, more than -20% on annual basis).



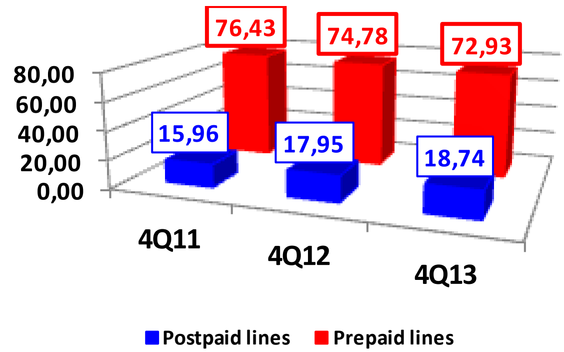
Source: Agcom evaluation on data provided by operators

5. Mobile subscribers – by customer/contract type (excl. Mvno)

Customer type

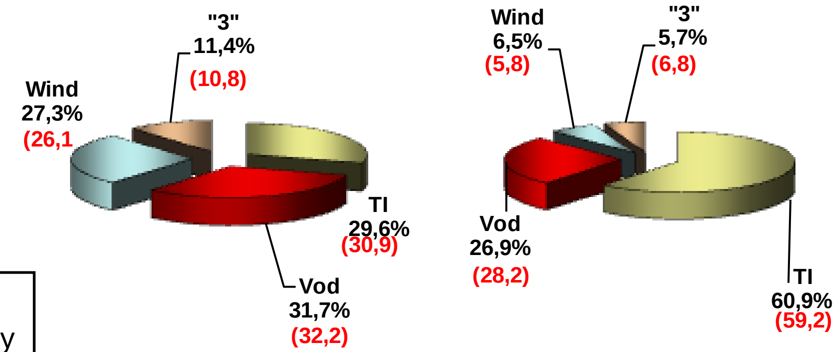


Contract type



Market share by customers – 4Q2013 (%)

Residential | **Business**

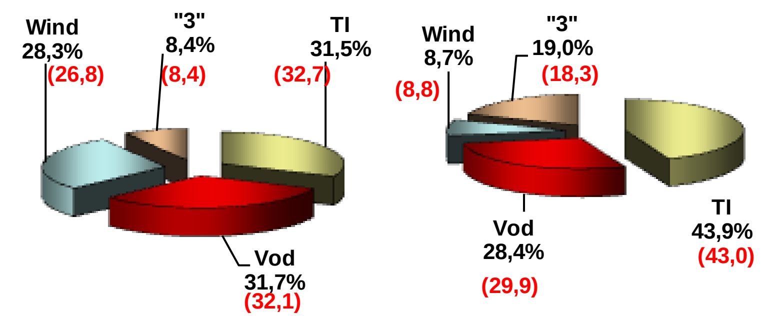


Customer type

- Business customers (13.06 millions of SIM in December) increased on a yearly basis by about 650 thousands lines, while the residential segment (78,6 millions of SIM) experienced a decrease by 1.7 millions.
- The business segment's market share increased by 0.8% (from 13.4% to 14.2% of the total customer base).
- The first operator in the residential segment is Vodafone (31.7%), followed by Telecom Italia (29.6%) and Wind (27.3%).
- Telecom Italia, with more than 60% of market share, is the principal operator in the business segment .

Market share by contracts – 4Q2013 (%)

Prepaid | **Postpaid**



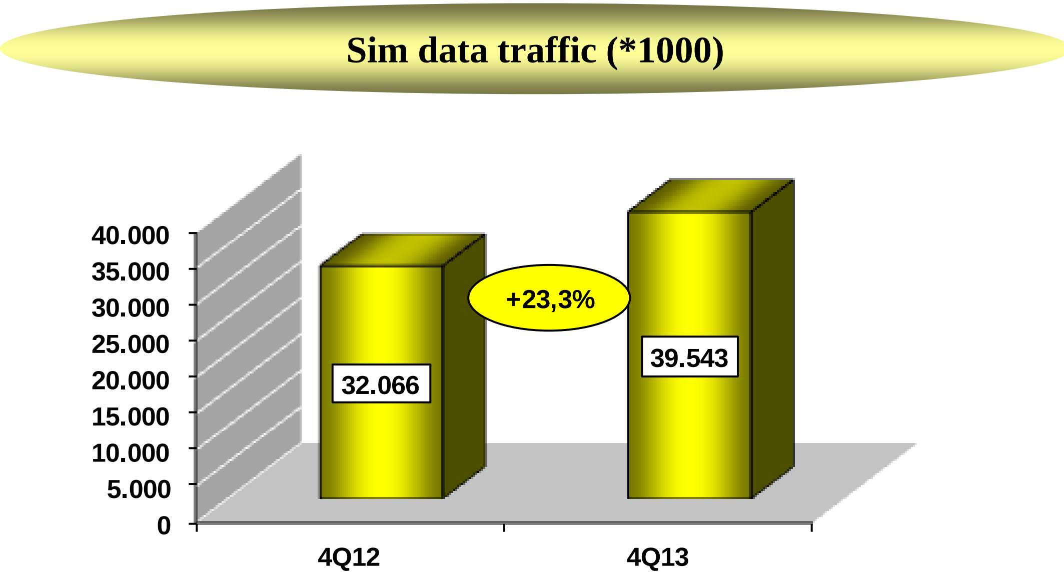
Contract type

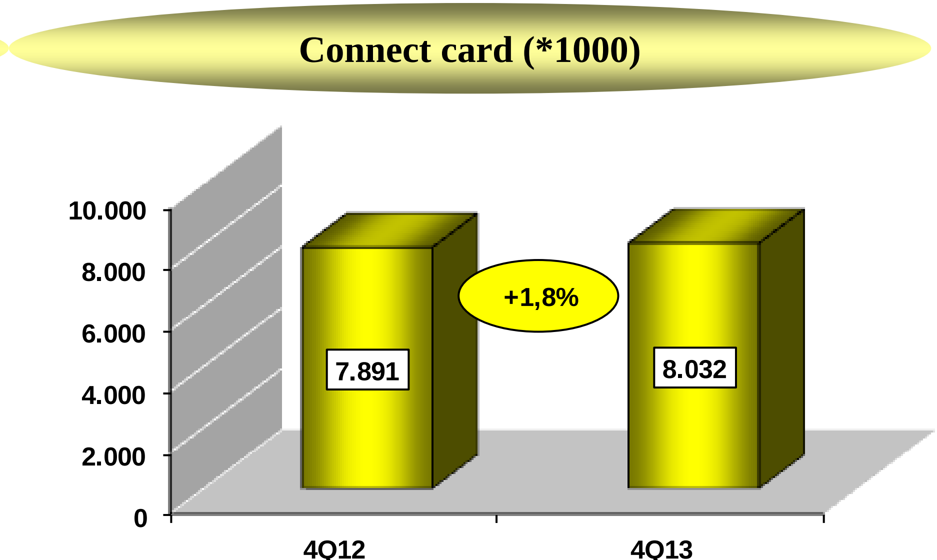
- The 79.6% of active lines are "prepaid" (80.6% in December 2012).
- In two years, the postpaid lines increased, in absolute terms, by about 2.8 millions, while the prepaid decreased, by an amount of 3.7 millions.
- In the "prepaid" market with respect to 2012, reduction of Telecom Italia (-1.2%) and Vodafone (-0.6%) market shares, while Wind has increased the market share by 1.5% reaching an absolute value that 28.3%.
- Telecom Italia leads the "postpaid" segment with 43.9% of market share; "3" slight increase (+0.7%)

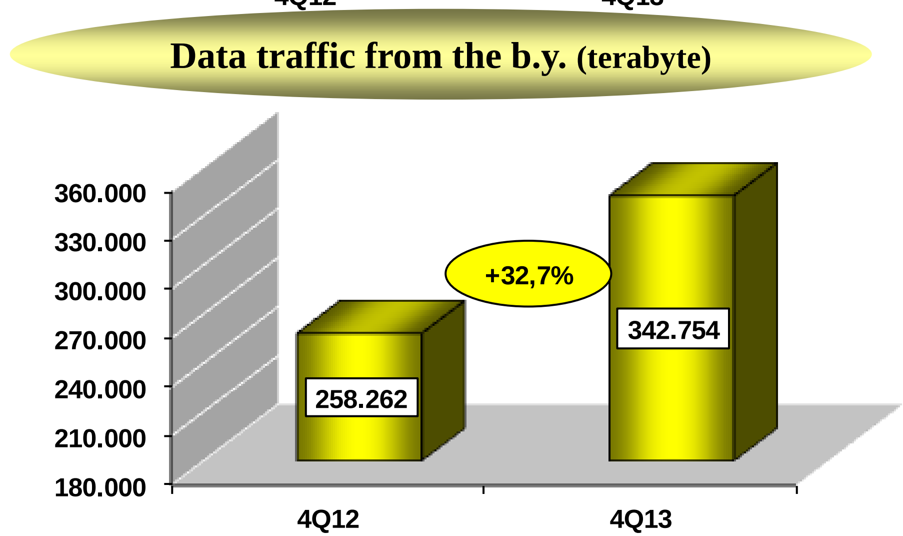
(the corresponding values for December 2012 are shown in brackets)

Source: Agcom evaluation on data provided by operators

6. Mobile broadband (1)







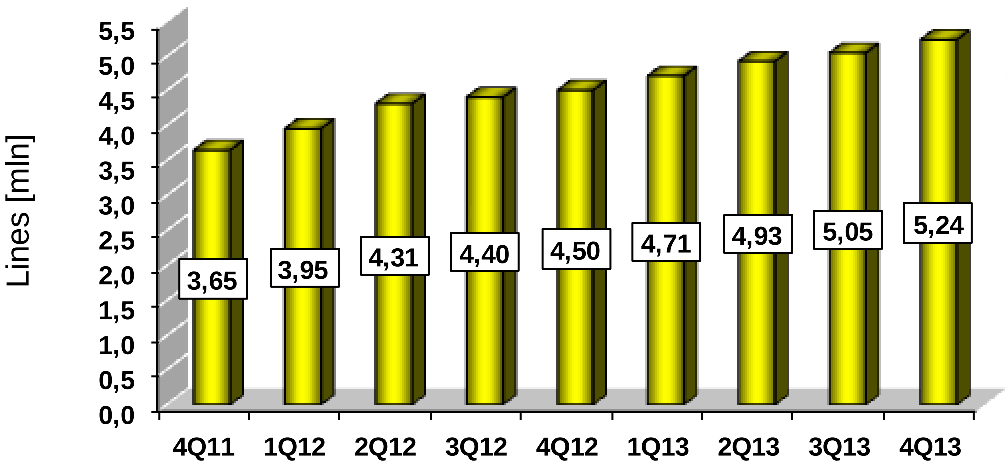
- In the last 2013 quarter, SIMs that made broadband data traffic exceeded 39.5 millions (+23.3% YoY).
- The dedicated "connect card" reached about 8 millions (+1.8% compared to 4Q12). (2)
- YoY, data traffic has grown by 32.7% (vs corresponding +34.3% last year).

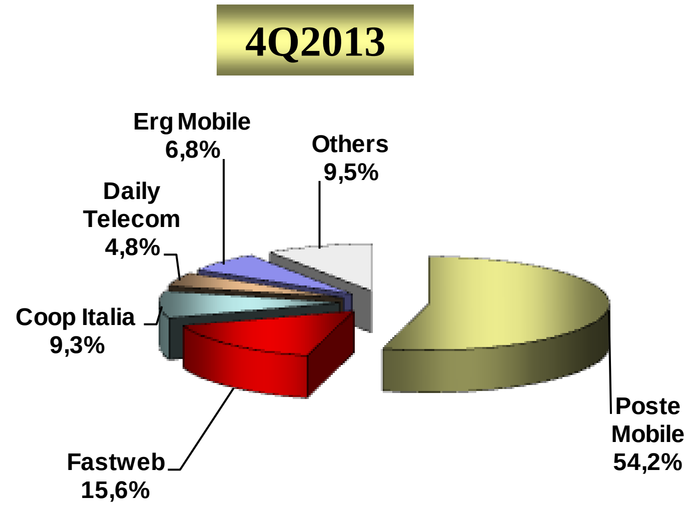
(1) Data include MNO and MVNO

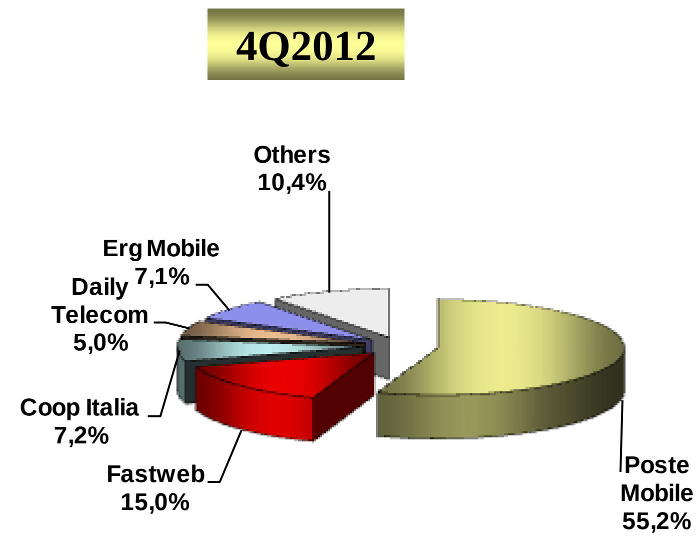
(2) As a result of the changing in classification methodologies for data request to operators, in a consistent way with those adopted, at the end of 2013, by the Commission as part of reporting update on the mobile broadband, the values shown are not consistent with previous Observatory updates

Source: Agcom evaluation on data provided by operators

7. Mobile virtual operators (MVNO) (*)





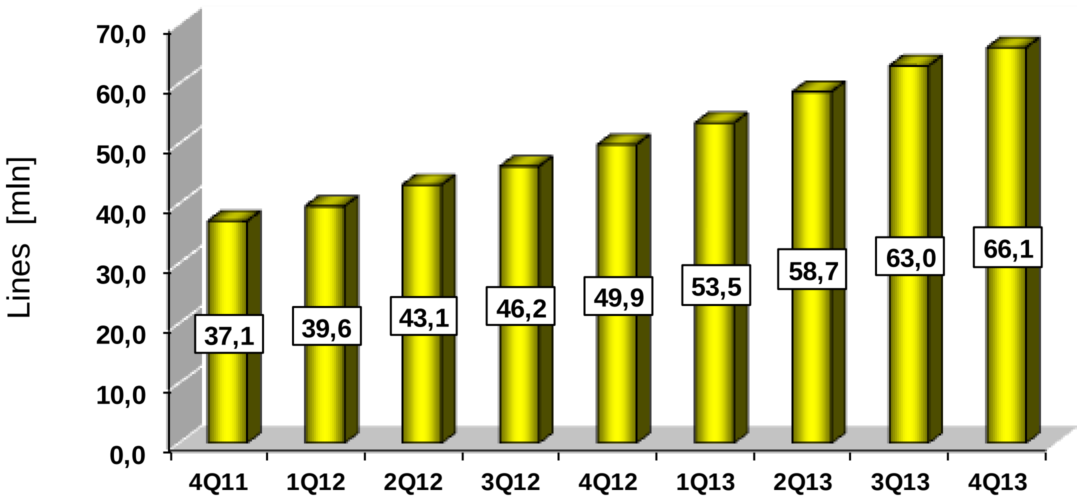


- The MVNO subscribers continues to grow (+740 thousands YoY), total lines reached 5.2 millions (about 5.4% of the total mobile customer base).
- Poste Mobile's market share reaches about 54.2% (2.8% of overall mobile market), declining with respect to December 2012 (-1%).
- Coop Italia market share has grown by more than 2% (9.3% at y.e.)
- From the beginning of the year the market growth is concentrated on Poste Mobile and Fastweb (more than 70%).
- YoY, voice traffic and SMSs has increased respectively by about 9.6% and 13.3%.

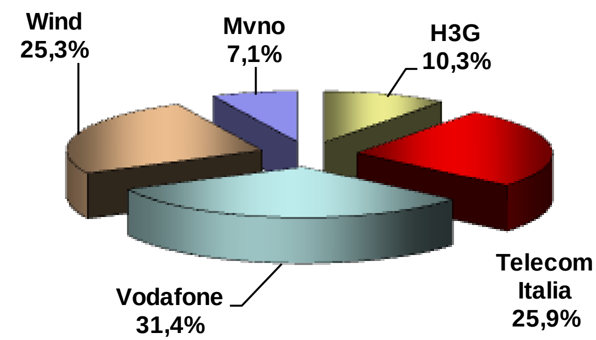
(*) - Following the switch off the operator BIP, showed data are not consistent with those reported in previous Observatory updates

Source: Agcom evaluation on data provided by operators

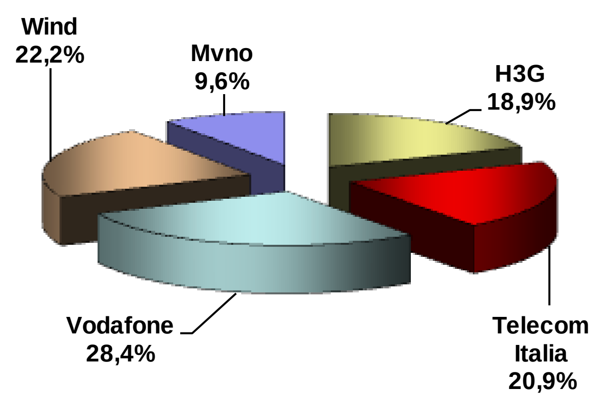
8. Mobile telephony: number portability



4Q13 - Lines as donor (in the quarter)



4Q13 - Lines as recipient (in the quarter)



- At the end of the year, the number of ported lines exceeded, for all operators 66.0 millions.
- YoY MVNO were able to adds more than 1.5 million lines cumulatively, slightly increased with respect to September.
- YoY, positive net adds for H3G (+1.4m), Wind (+174 thousands) and MVNO (+214 thousands), negative for Telecom Italia (-1 million) and Vodafone (some -750 thousands).
- On a quarterly basis the indicator worsens for Telecom Italy (from +75 to -151 thousand) and Wind (from -44 to -96 thousand), while improved H3G (from +113 to +264 thousand) and Vodafone (from -232 to -232 thousand).

Source: Agcom evaluation on data provided by operators