Autorità per le garanzie nelle comunicazioni

Quarterly Telecommunication Markets Observatory (*)

- Updated to 31 March 2014 -

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

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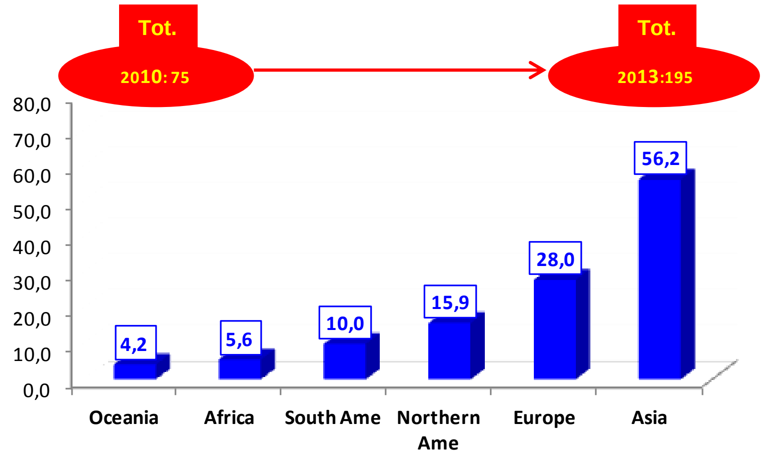
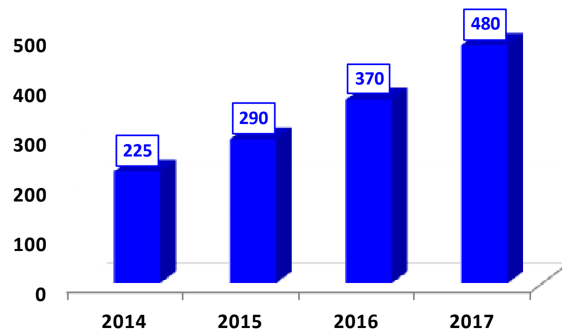
Focus – Machine to machine cellular connections (m2m)

Focus – Machine to machine cellular connections (m2m) (millions)

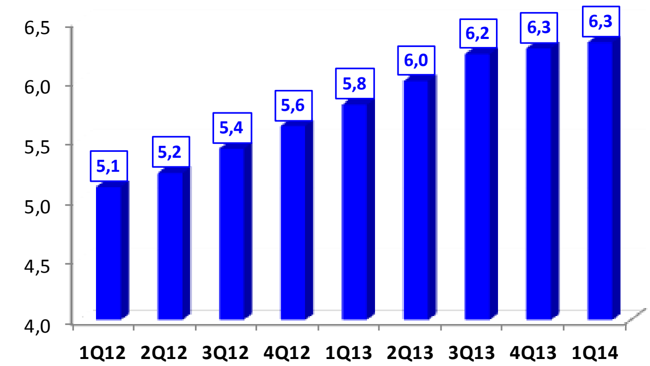
Worldwide 2010-2013



Worldwide 2014-2017



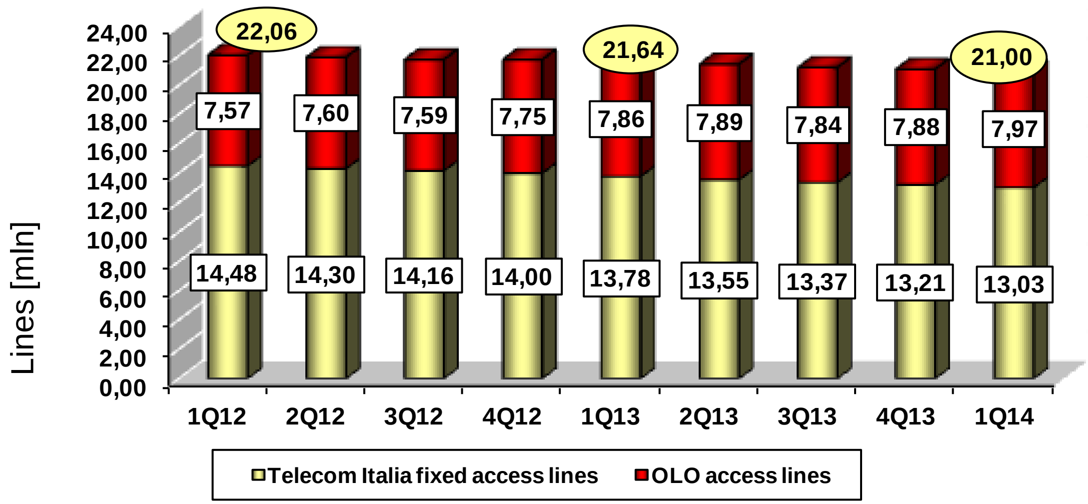
Italy 1T12-1T14

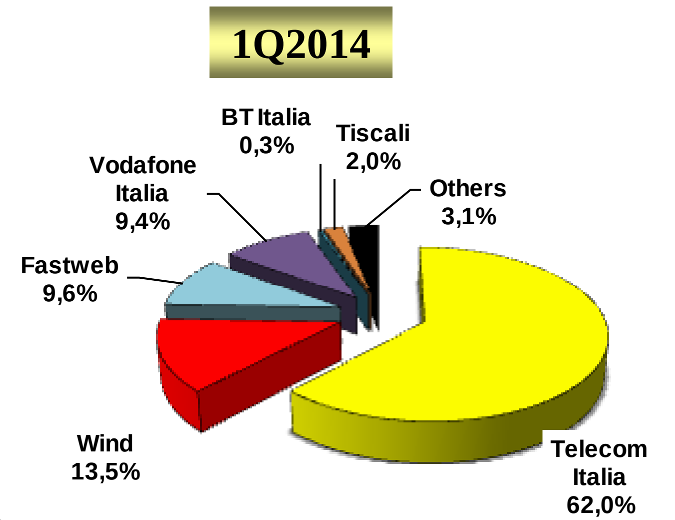


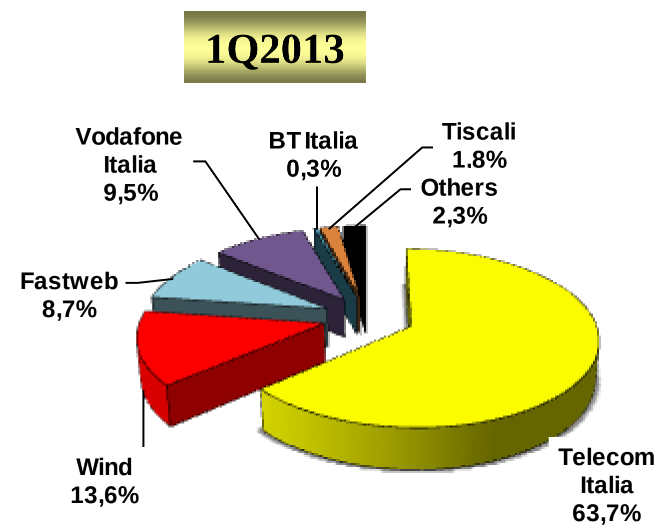
- In the last three years the m2m sim world market has grown at an average rate of 38%, reaching approximately 195 million units. During the reporting period, China has increased of 42 million units its installed base.
- Next years, growth will be driven by applications in consumer electronics sectors such us, "automotive" (eg. security, fleet management) and "utilities" (eg smart grid for electricity, gas, water).
- The available projections show that m2m market will grow by about 30% per year, reaching 480 million in 2017.
- In 2013 the m2m sim represented the 3% of the whole mobile customer base, and will reach 5.9% in 2017 (14% in Europe).
- **In the last two years the m2m sim market has increased in Italy slightly (25% per year). At the end of March 2014 the installed base reached some 6.3 million units, widely represented by Telecom Italia.**

Fonte: Agcom evaluation on company data, Idate and GSMA Intelligence

1. Fixed access lines (total) (1)





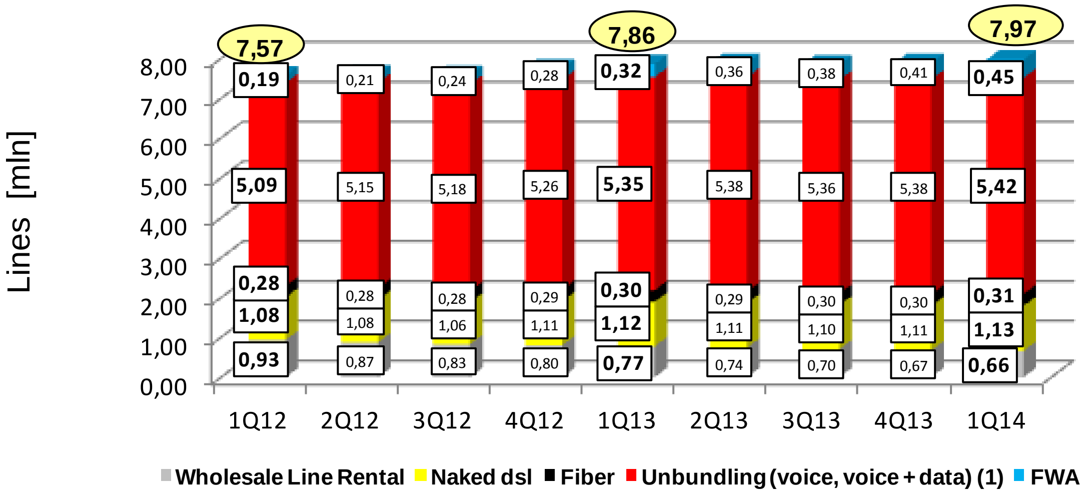


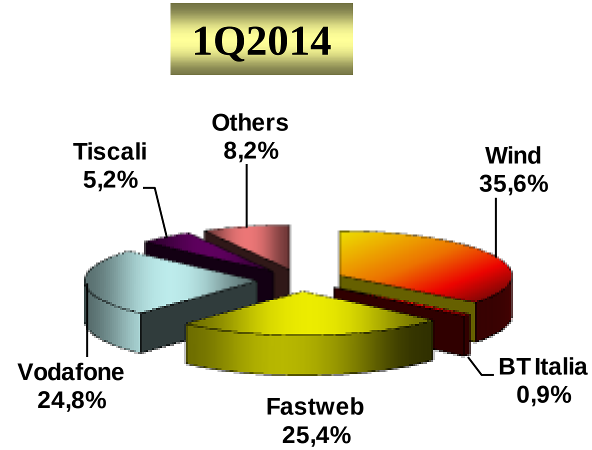
- Compared to March 2013, direct fixed access lines decreased by about 640 thousands (-1,06 millions in the last two year), slightly higher compared to the previous year (about -420 thousands).
- In the last two years the customer base of Telecom Italy, has decreased by about 1.4 million lines. Of these, only 400 thousand (25%) has been “recovered” by the OLO.
- In the last twelve months, Telecom Italia’s market share further decreased by 1.7%, to 62,0%.
- **Basically Fastweb takes advantage, (YoY + 0,9%), confirming previously quarters trends, overcoming Vodafone and becoming the third fixed-line operator by number of subscribers.**
- Wind’s market share, remains stable as compared both on yearly and quarterly basis.
- Tiscali shows a slight increase on annual basis (+0.2%).
- The weight of other operators has grown (+0,8%) mainly due to FWA services

Source: Agcom evaluation on data provided by operators

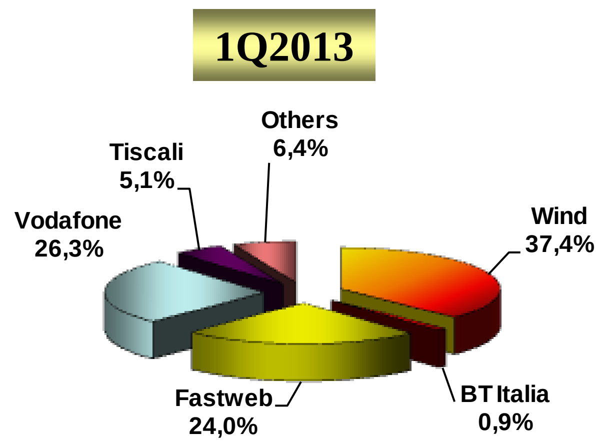
(1) Including Telecom Italia physical access, full unbundling (voice and data), SLU, Dsl Naked, WLR, FWA and fiber lines. Data not comparable with previous review

2. Fixed access lines (new entrants)





- On a yearly basis number of accesses lines grew by about 110 thousands (400 thousands in the previous year), showing a quite stable dynamics on a quarterly basis.
- Full LLU lines (1) show a slightly growth mainly due to SLU services (+74 thousand) while the WLR lines decreased by 110 thousands.
- With respect to access lines indicator, Wind ranks at the first place (35.6%), while it has experienced a decline on a YoY by 1.8%.
- In the mean time Fastweb's market share has increased on yearly basis (+1.4%).
- **FWA access market now is greater than the fiber one, with principal operators Linkem (40%), NGI (28%) and Aria (27%) as the main companies in this market segment.**(2)

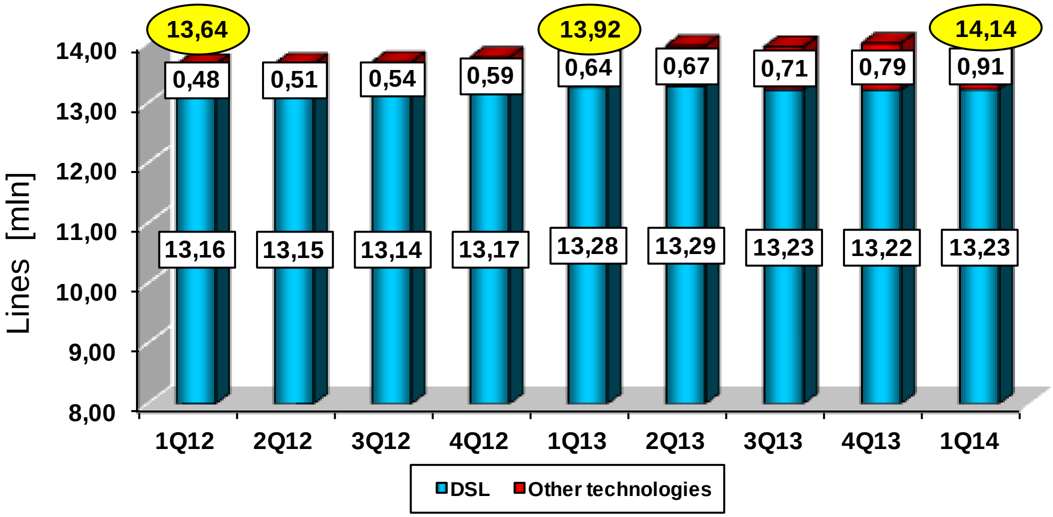


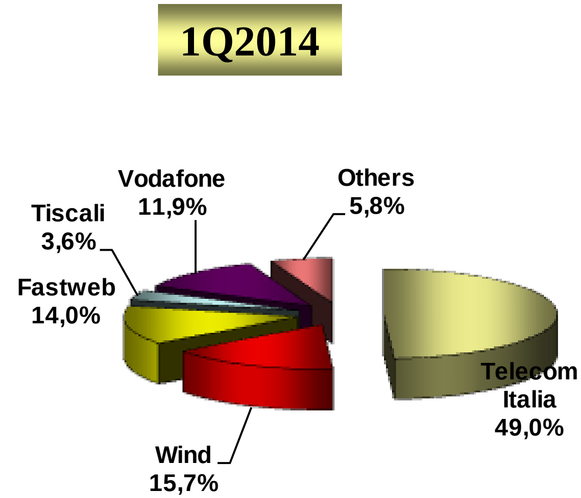
Source: Agcom evaluation on data provided by operators

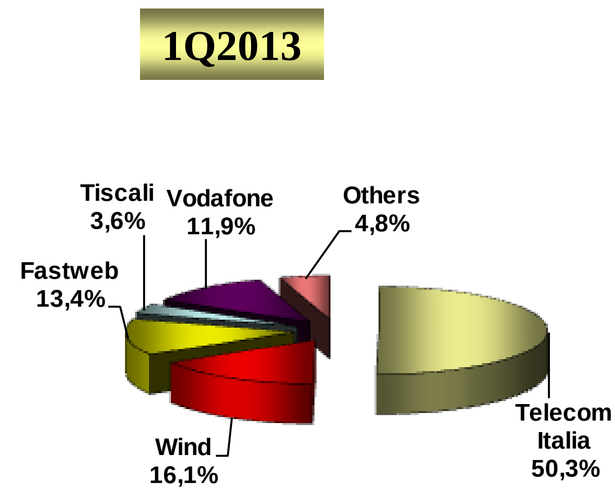
(1) – Including virtual LLU and Subloop ULL.

(2) – Including Aria, Linkem, Mandarin e WaveMax. And NGI

3. Retail broadband access lines



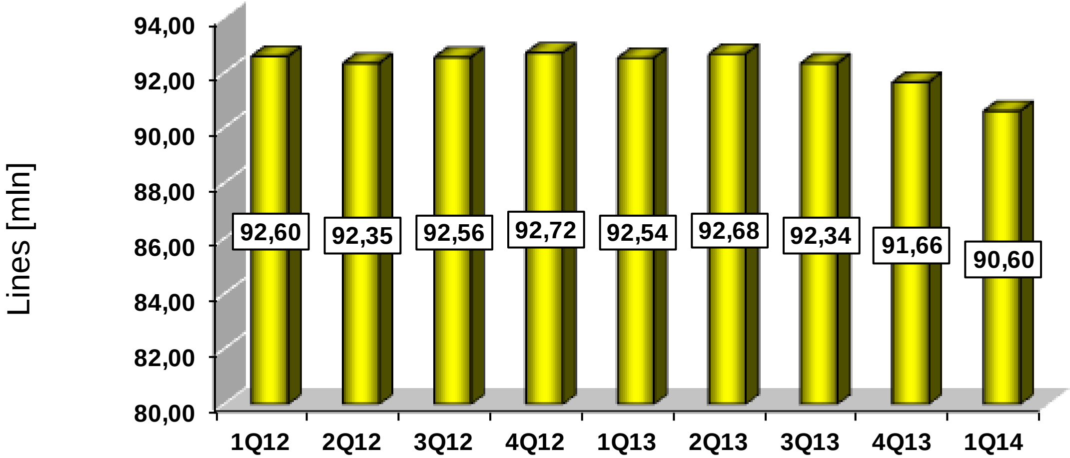


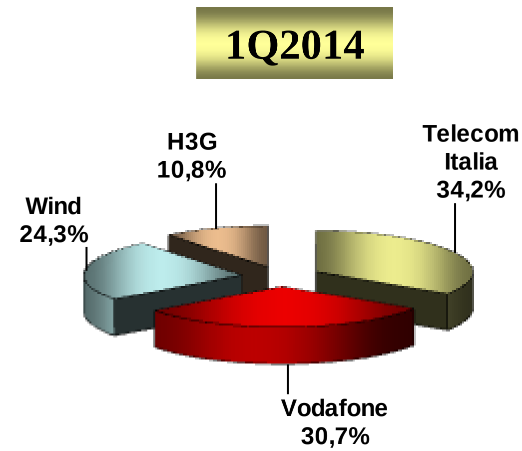


- YoY, broadband lines growth of about +220 thousands (+270 thousands in 2013). Compared with last December, the customer base increased by some +130 thousands lines.
- **In 1Q14 the number of DSL lines remain essentially stable (+50 thousand), while the overall growth is largely represented by FWA lines increase (+40 thousand) and NGA accesses (+77 thousands) out of which some 50% due to migration processes toward FTTC solutions.**
- Telecom Italia' market share has been reduced on a yearly basis of 1.3%, falling to 49.0%.
- Fastweb is the main beneficiary with +0.7% of growing as principal operator, and FWA operators (+1.0%) as smaller companies.
- Compared with 1Q13 Vodafone market share remain stable, while Wind slightly decreased by 0.4%.

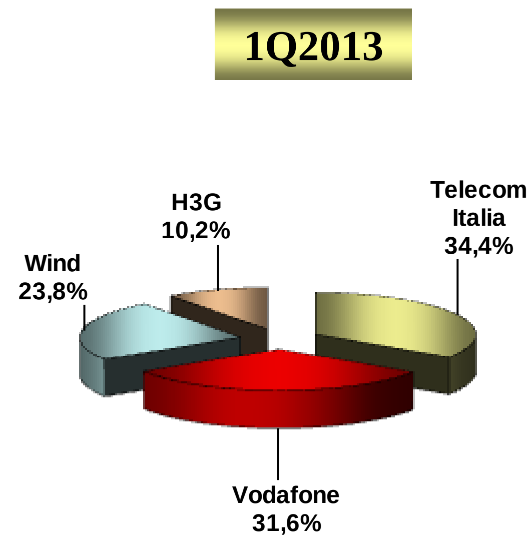
Source: Agcom evaluation on data provided by operators

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





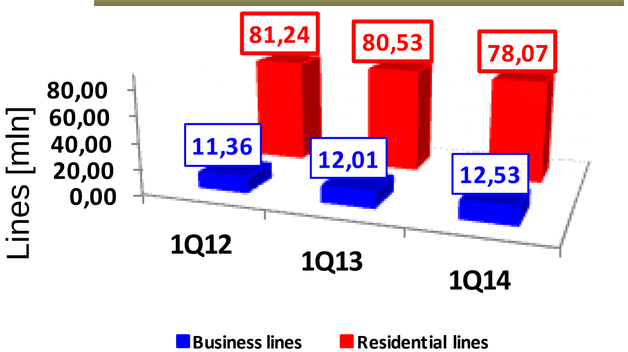
- **YoY, the customer base decreased by more than 1,9 million, in the mean time showed a reduction over one million on a quarterly basis.**
- YoY the "only voice" sim decreased about 8.8 million (-13,4 million with respect to March 2012).
- YoY, the number of residential lines decreased (2,5 million), only partially offset by 500 thousands new business lines.
- In the same time, the number of prepaid lines decreased of 2.1 millions, while the number of postpaid lines increased slightly less than150 thousands.
- Over the past two years, the combined market share of the first two operators (Vodafone and Telecom Italy) decreased from 67.2% to 64.9% (-2.3%).
- On YoY basis, the market shares of Telecom and Vodafone decreased both in favor of H3G (+0.6%), and, on greater extent, in favor of Wind (+0.5%).
- YoY, voice traffic (39 billion minutes) increased by 8.5%.
- In the same time the SMS traffic continue to decline (with 13.2 billion SMS sent the reduction is about 40% on annual basis).



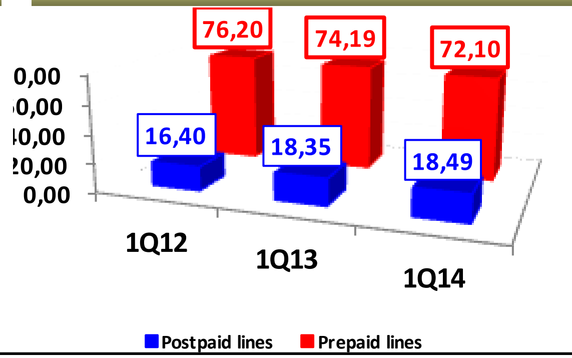
Source: Agcom evaluation on data provided by operators

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

Customer type

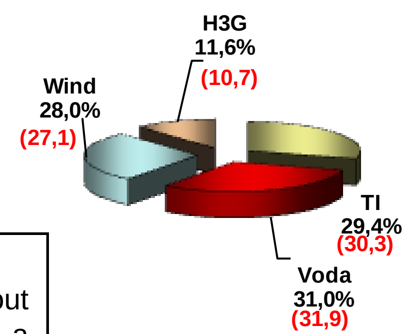


Contract type

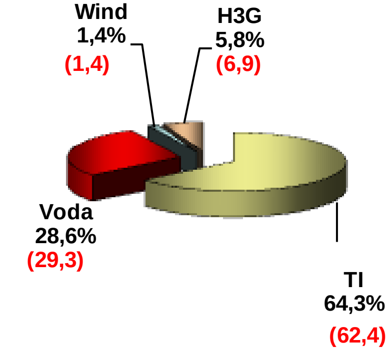


Market share by customers – 1Q2014 (%)

Residential

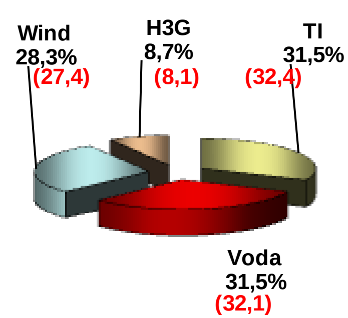


Business

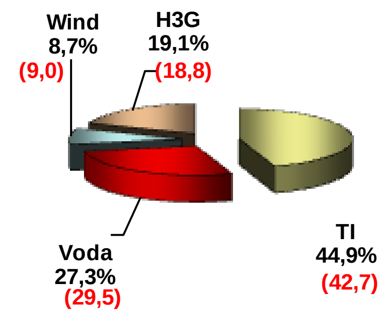


Market share by contracts – 1Q2014 (%)

Prepaid



Postpaid



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

Customer type (1)

- Business customers (12.53 millions of SIM in March) increased on a yearly basis by about 520 thousands lines, while the residential segment (78,1 millions of SIM) experienced a decrease by about 2.5 millions.
- The business segment's market share increased by 0.8% (from 13.0% to 13.8% of the total customer base).
- **The first operator in the residential segment is Vodafone (31.0%), followed by Telecom Italia (29.4%) and Wind (28.0%). The three operators have now equivalent size.**
- In the mean time, Telecom Italia, with more than 64% of market share, is the principal operator in the business segment .

Contract type (1)

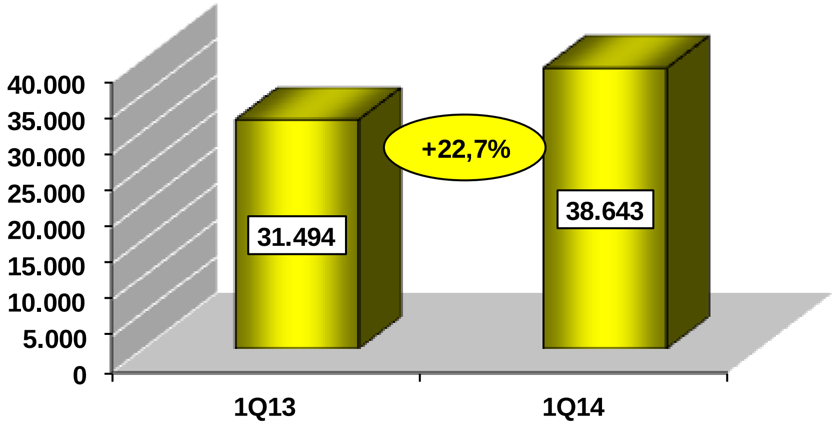
- The 79.6% of active lines are "prepaid“ (80.2% in March 2013).
- In two years, the postpaid lines increased, in absolute terms, by about 2.1 millions, while the prepaid decreased, by more than 4.0 millions.
- In the "prepaid" market with respect to march 2013, reduction of Telecom Italia (-0.9%) and Vodafone (-0.6%) market shares, while Wind has increased the market share by 0.9% reaching an absolute value 28.3%.
- Telecom Italia leads the "postpaid" segment with some 45% of market share (growing by about +2%), Wind and Vodafone have decreased by about -0.3% and -2.2% respectively.

Source: Agcom evaluation on data provided by operators

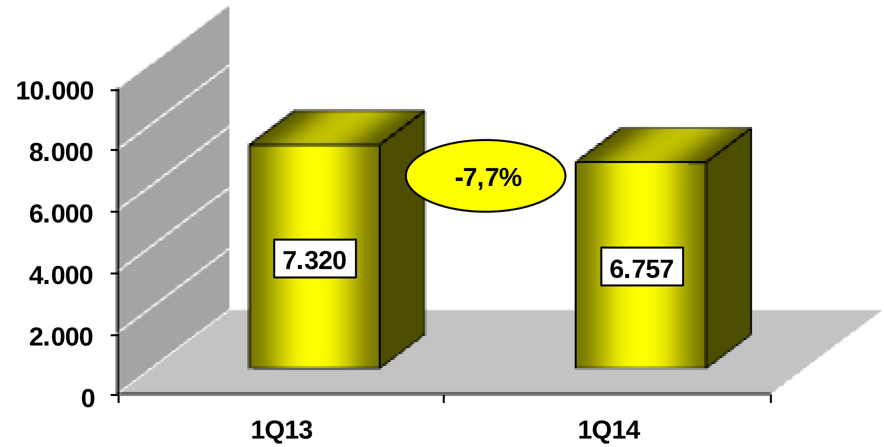
(1) - As a result of reclassifications and updates of corporate databases operated by Wind, the data are not entirely consistent with previous Observatory's review

6. Mobile broadband (1)

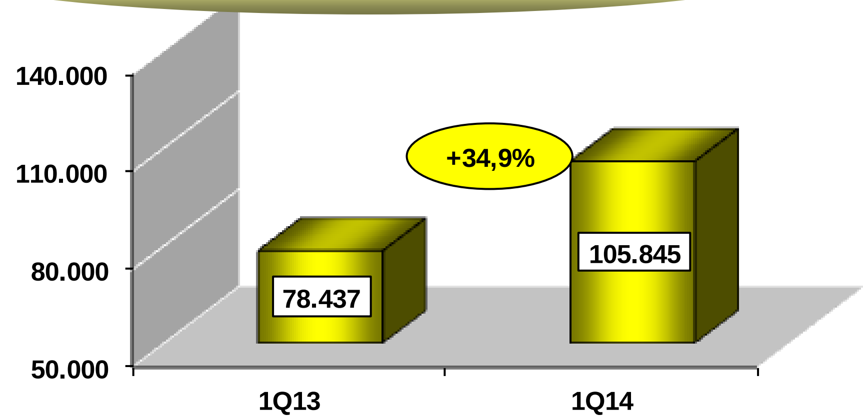
Sim data traffic (*1000)



Connect card (*1000)



Data traffic from the b.y. (terabyte)



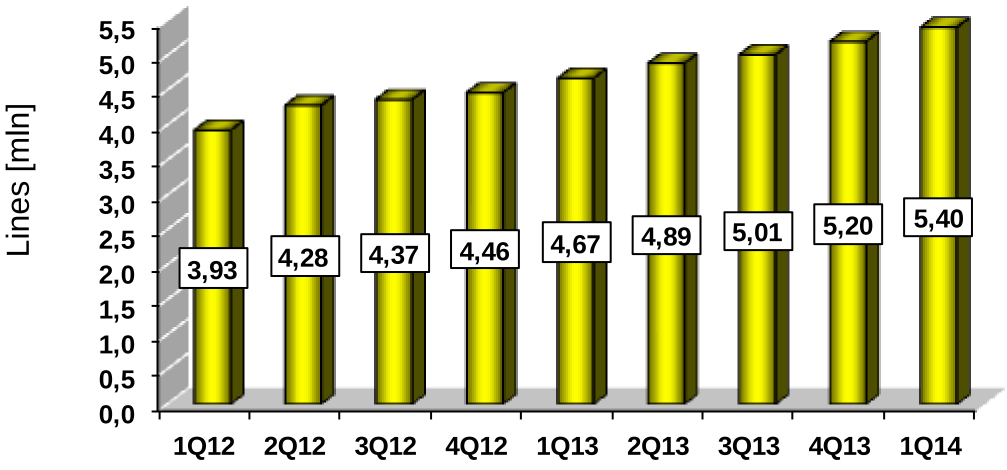
- In the first 2014 quarter, SIMs that made broadband data traffic reached dome 39 millions (+22.8% YoY).
- The dedicated connect card declined by 7.7%, while in the mean time strong growth for which is foresees a dedicated “data subscription”. (2)
- **YoY, data traffic has grown by 34.9%, more than correspondingly observed last year (+31.8%).**

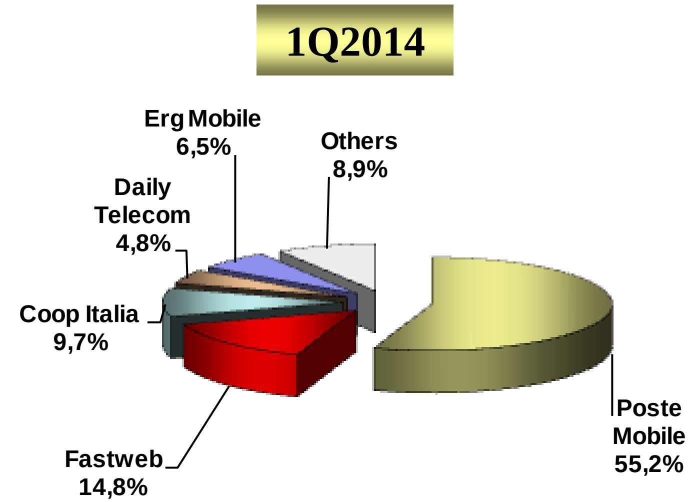
(1) Data include MNO and MVNO

(2) As a result of Telecom Italia updating databases, the values shown are not consistent with previous Observatory updates

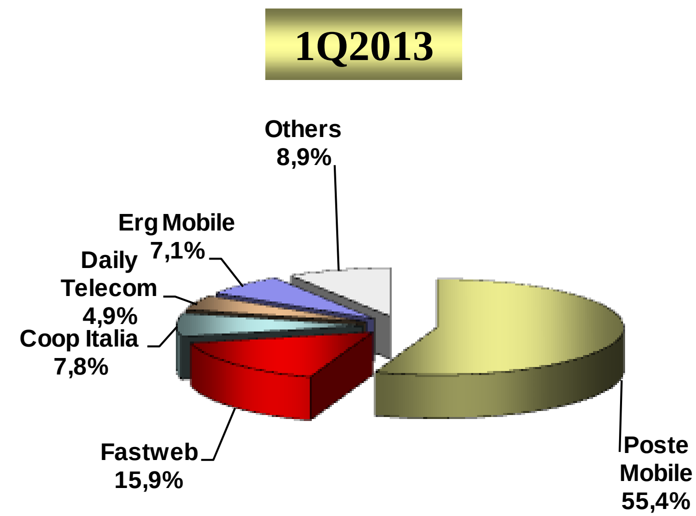
Source: Agcom evaluation on data provided by operators

7. Mobile virtual operators (MVNO) (*)



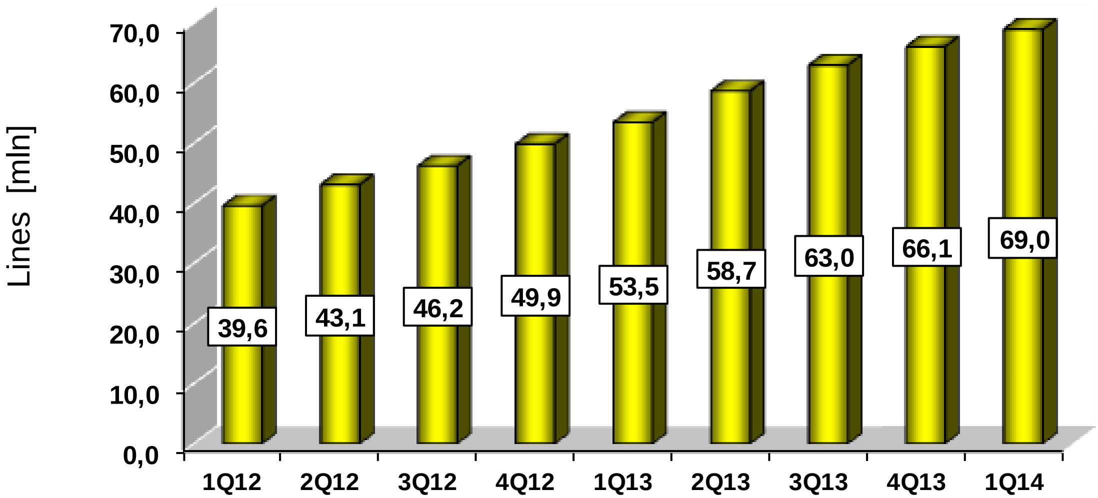


- The MVNO subscribers continues to grow (+740 thousands YoY), total lines reached 5.4 millions (about 5.6% of the total mobile customer base).
- Poste Mobile's market share reaches about 55.2% (2.9% of overall mobile market), remained stable compared to March 2013 (55.4%).
- Coop Italia market share has grown by about 2% (9.7% at March.)
- **YoY, voice traffic and SMSs decreased, respectively by -9.1% and -25.3%.**

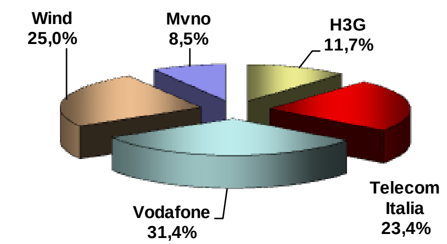


Source: Agcom evaluation on data provided by operators

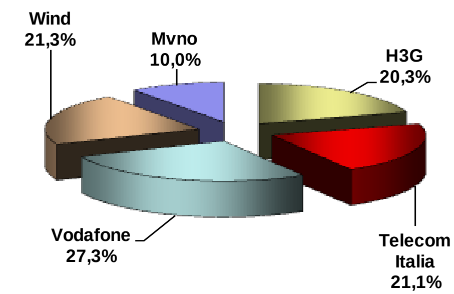
8. Mobile telephony: number portability



1Q14 - Lines as donor (in the quarter)

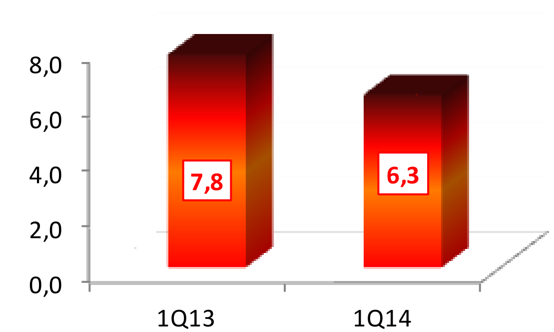


1Q14 - Lines as recipient (in the quarter)



- At 1Q14, the number of ported lines reached, for all operators are 69.0 millions.
- YoY MVNO were able to adds more than 1.5 million lines cumulatively, slightly increased with respect to December.
- YoY, a positive trend is present for H3G (+1.3m) and MVNO (+214 thousands), a negative trend is present for Telecom Italia (-754 housands million), Wind (-155 thousands) and Vodafone (-639 thousands).
- On a quarterly basis, the indicator worsens for Vodafone (from -93 to -117 thousands), Wind (from -96 to -107 thousands) and Mvno (from +76 to +42 thousands), it remains stable for H3G and improves for Telecom Italia (from -151 thousands to -67 thousands).
- YoY, the "mobility index" shows a slowdown (from 7.8% to 6.3%).

Mobility index (%) (*)



Source: Agcom evaluation on data provided by operators

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