Autorità per le garanzie nelle comunicazioni

Quarterly Telecommunication Markets Observatory (*)

- Updated to 30 June 2014 -

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

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Focus – Broadband networks performances (March 2014)

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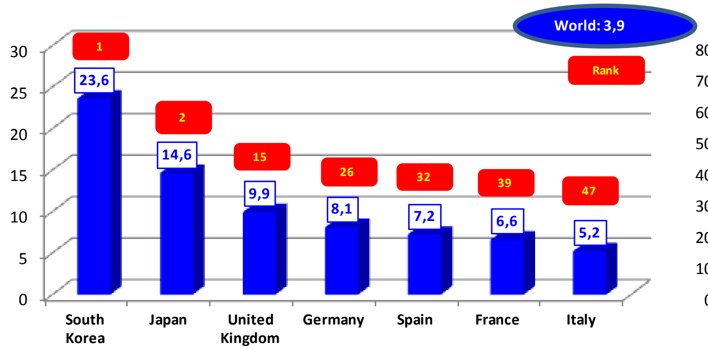
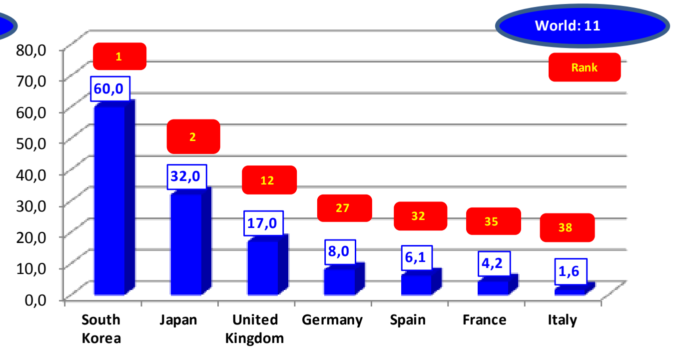
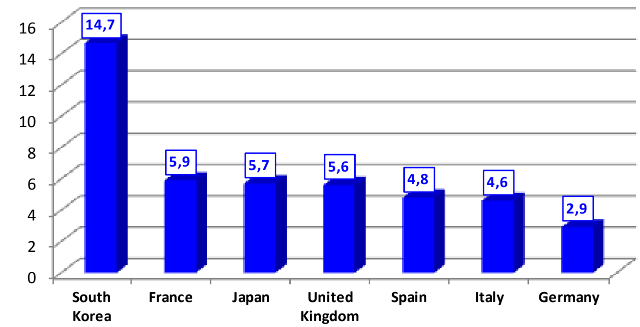
Fixed broadband connections (avg speed in Mbps)



>15 Mbps (4K ready) (% total)



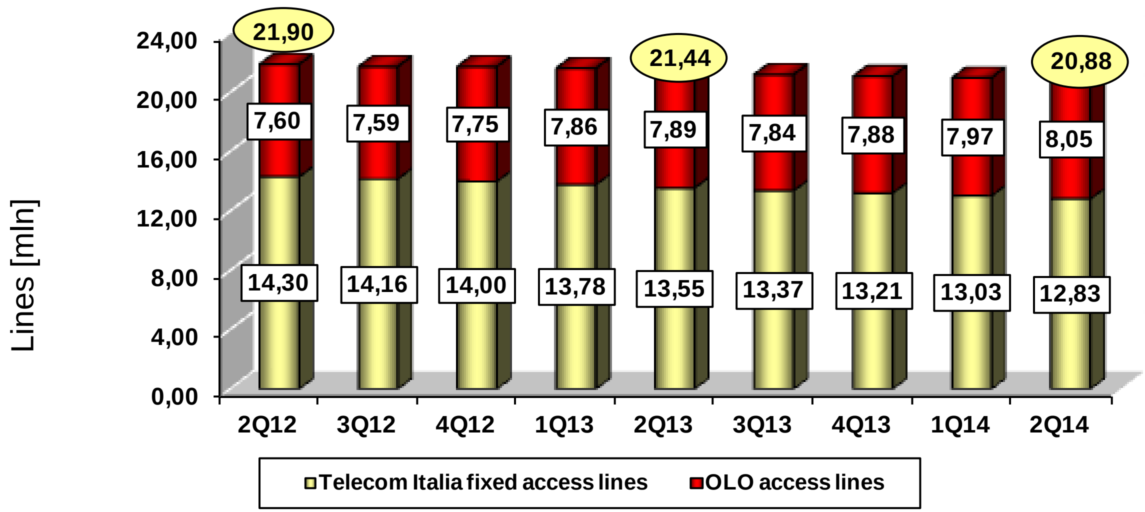
Mobile broadband connections (avg speeds in Mbps)

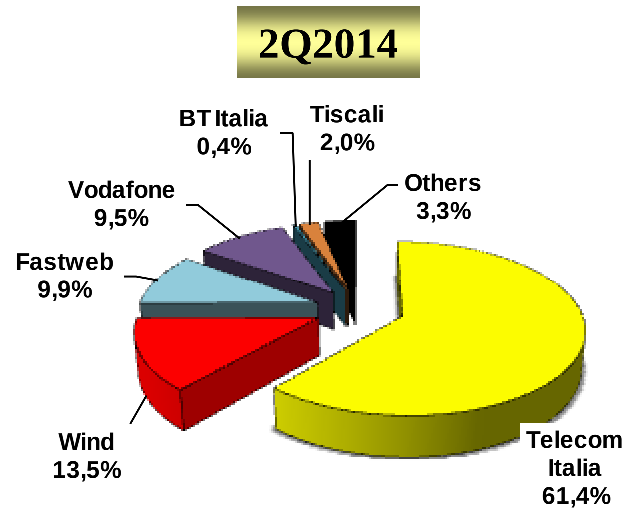


- Italy fixed broadband connection speed performances (47° with an average speed of 5.2 Mbps) are lower than the "best practices" (especially South Korea and Japan) and also in comparison with other major European countries results.
- The average speed of Italian connections is equal to less than a quarter with the Korean one, but the results are also much lower than with the other European country like United Kingdom and Germany
- The italian delay on fixed broadband speed is measured also with respect to the lines capable of supporting advanced video services ("4K ready"). Only 1.6% of active connections can reach a speed greater of 15 Mbps.
- With respect to mobile broadband connections speed, Italy reaches a comparable level with other european countries like UK and Spain.

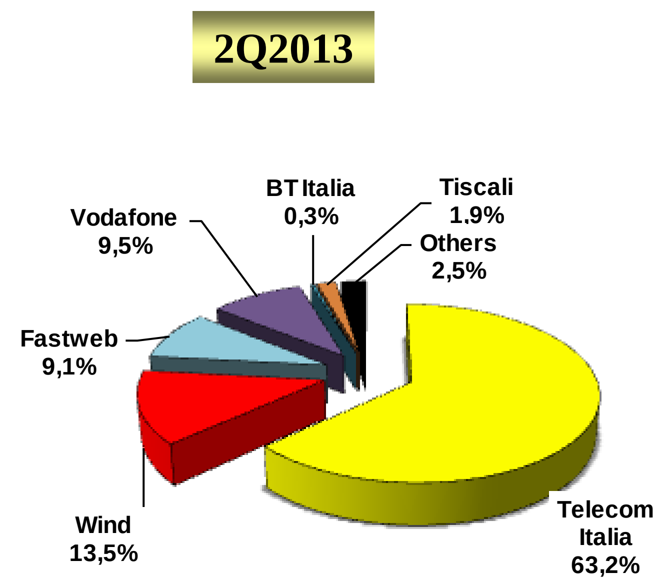
Source: Akamai "State of the internet", Q1 2014 Report, volume 7, number 1

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





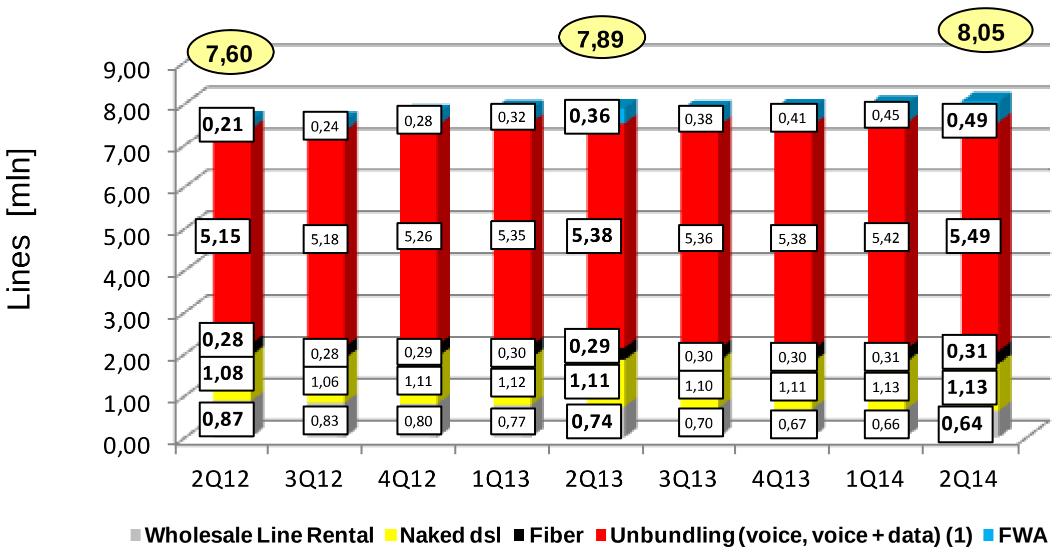
- Compared to June 2013, direct fixed access lines decreased by about 560 thousands (-1,03 millions in the last two year), slightly higher compared to the previous year (about -460 thousands).
- In the last two years the customer base of Telecom Italy, has decreased by about 1.5 million lines. Of these, only 450 thousand (30%) has been “recovered” by the OLO.
- In the last twelve months, Telecom Italia’s market share further decreased by 1.8%, to 61.4%.
- Wind’s market share remains stable both on yearly and quarterly basis
- **Fastweb confirms his growth trend, reaching a market share about 10% (YoY +0.8%), consolidating the gap compared to Vodafone with a market share stable at 9.5%.**
- The weight of other operators has grown (+0,8%) mainly due to FWA services



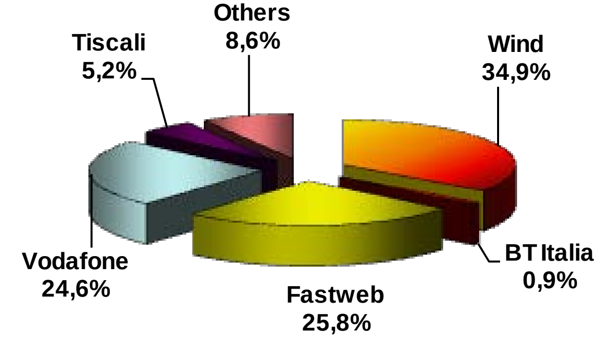
Source: Agcom evaluation on data provided by operators

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

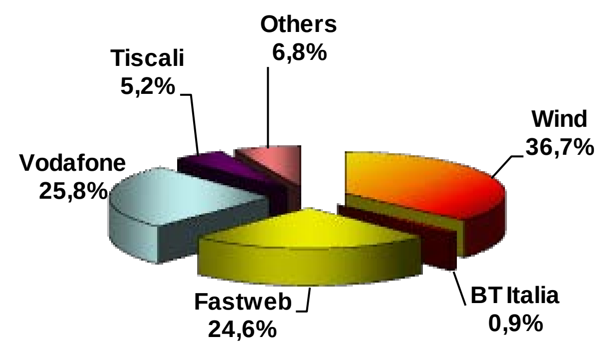
2. Fixed network: access lines (new entrants)



2Q2014



2Q2013



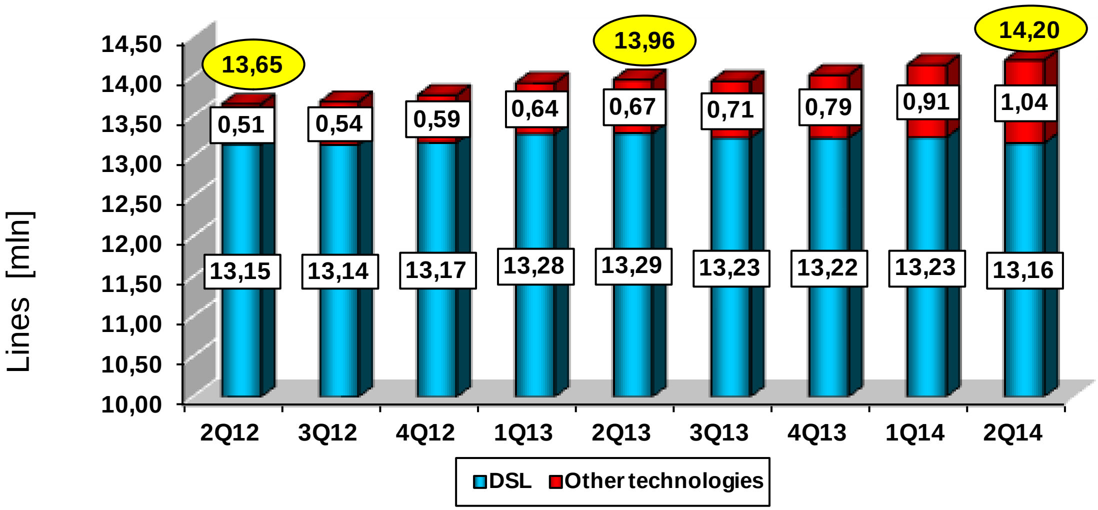
- On a yearly basis number of accesses lines grew by about 170 thousands (450 thousands compared to June 2012), showing a quite stable dynamics on a quarterly basis.
- Full LLU lines (1) show a slightly growth mainly due to SLU services (+115 thousand) while the WLR lines decreased more than 100 thousands.
- With respect to access lines indicator, Wind ranks at the first place (34.9%), 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 (+1.2%).
- **FWA access are not far from 500 thousands lines, with principal operators Linkem (41.5%), NGI (28%) and Aria (26%) as the main companies in this market segment.**(2)

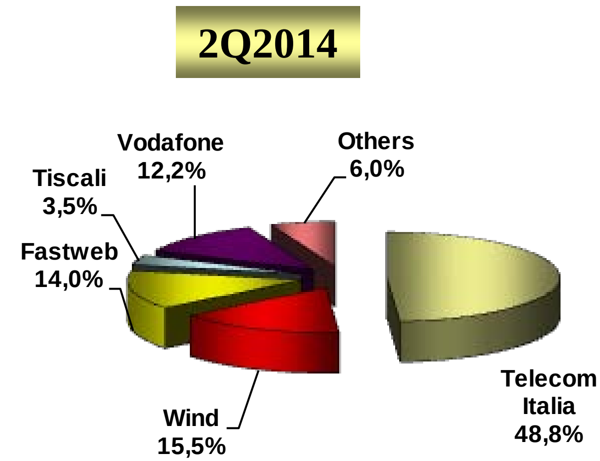
Source: Agcom evaluation on data provided by operators

(1) – Including virtual LLU and Subloop ULL.

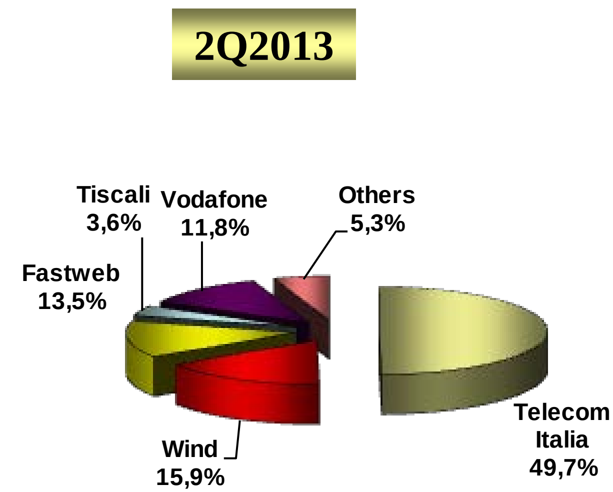
(2) – Including Aria, Linkem, Mandarin e Go Internet (ex WaveMax) and NGI

3. Fixed network: retail broadband access lines



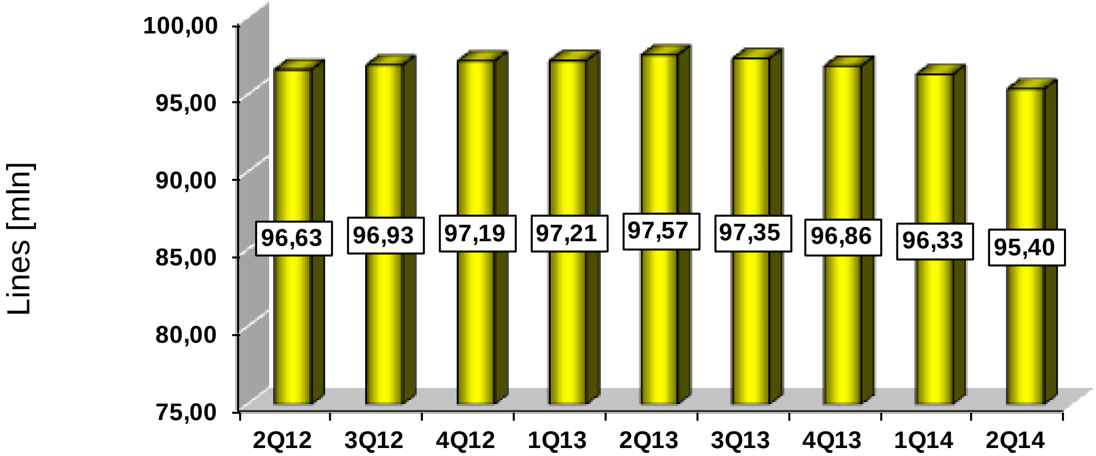


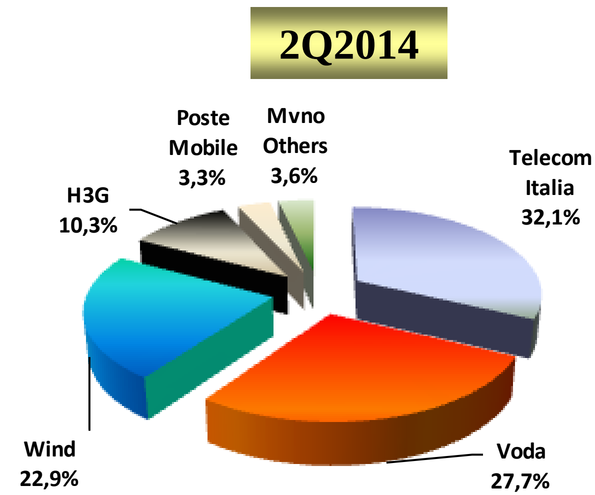
- YoY, broadband lines growth of about +240 thousands (+310 thousands in 2013). Compared with last March, the customer base increased by some +60 thousands lines.
- In 1H2014 the number of xDSL lines have slightly decreased (-60 thousand).
- The access lines that use other technologies have exceeded one million, mainly due to FWA lines (+130 thousand on annual basis), fibre lines (+110 thousand) and those used to implement FTTCab (+120 thousand).
- Overall, NGA access lines with an increase of some 175 thousands during 2014, are now slightly lower of 540,000 lines, equal to 3.8% of all broadband lines (2.2% in June 2013) .
- Telecom Italia market share has been reduced on a yearly basis of 0.9%, falling to 48.8%.
- Fastweb is the main beneficiary with +0.5% of growing as principal operator, and FWA operators (+0.7%) as smaller companies.
- Compared with 2Q13 Vodafone market share shows a slight increase (+0.3%), while Wind slightly decreased by 0.5%.



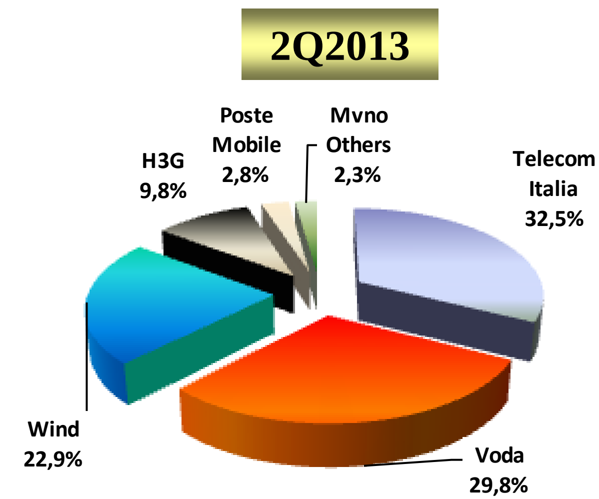
Source: Agcom evaluation on data provided by operators

4. Mobile lines: MNO + MVNO

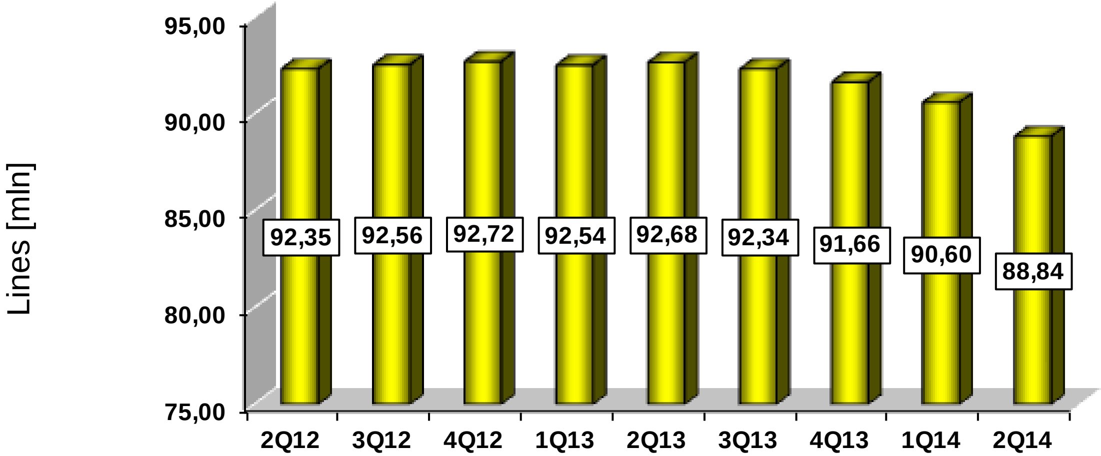


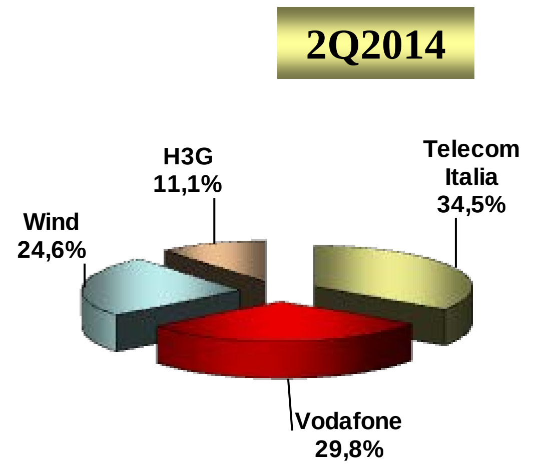


- Compared to previous quarter, the customer base decreased by about 930 thousands lines.
- **The reduction reaches -2.2 millions on yearly basis** (-1.2 million in June 2012)**.**
- Telecom Italy with a slight decrease (-0.4%) remain the largest operator (32.1%) followed by Vodafone (27.7%) that loses 2.1% on yarly basis and Wind that remains stable (22.9%).
- H3G exceed 10% (+ 0.5%).
- MVNO market share increased from 5.1% to 6.9% of total lines.

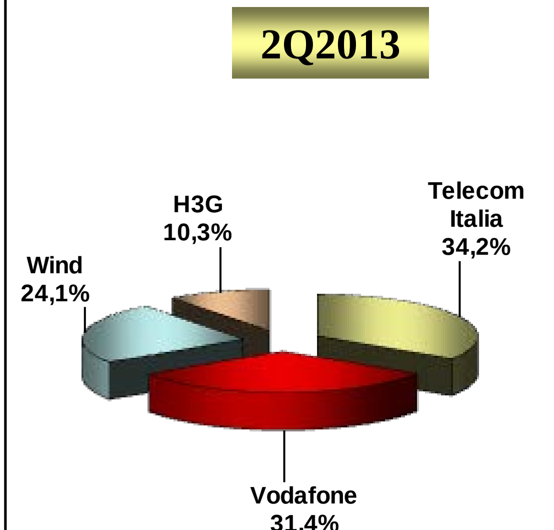


5. Mobile lines: MNO





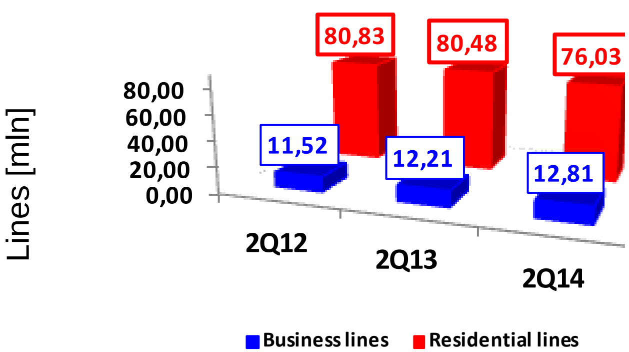
- **YoY, the customer base decreased by more than 3.9 millions, in the mean time showed a reduction over 2.8 million on a quarterly basis.**
- YoY the “only voice” sim decreased about 10.6 millions (-15.2 million with respect to June 2012).
- YoY, the number of residential lines decreased (4.4 million), only partially offset by 600 thousands new business lines.
- In the same time, the number of prepaid lines decreased more than 3 millions, but, although to a lesser extent, also the number of postpaid lines decreased (-800 thousands).
- Over the past two years, the combined market share of the first two operators (Vodafone and Telecom Italy) decreased from 66.4% to 64.3% (-2.1%).
- On YoY basis, Vodafone market share has reduced by 1.6%, in favour of all other MNO operators, mainly H3G (+0.8%) and Wind (+0.6%)
- YoY, voice traffic (more than 79 billion minutes) increased by 7.5%.
- In the same time the SMS traffic continues to decline (with 25 billion SMS sent, the reduction is about -42% on an yearly basis).



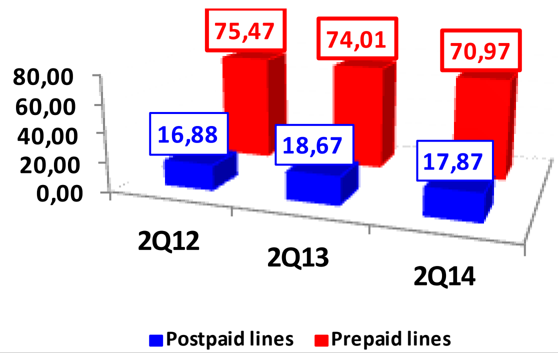
Source: Agcom evaluation on data provided by operators

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

Customer type

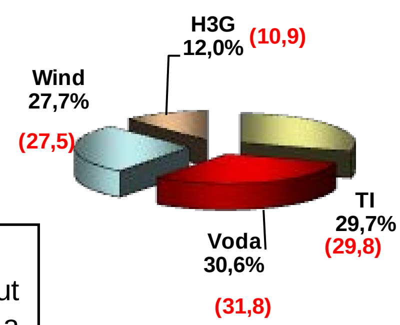


Contract type

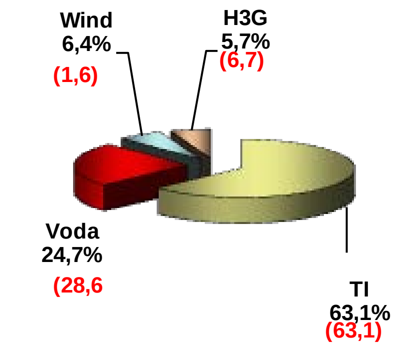


Market share by customers – 2Q2014 (%)

Residential



Business

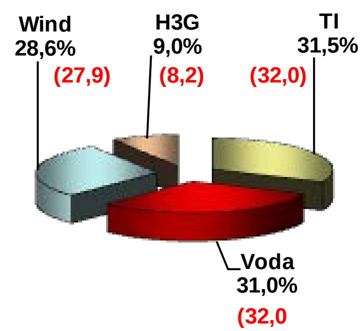


Customer type (1)

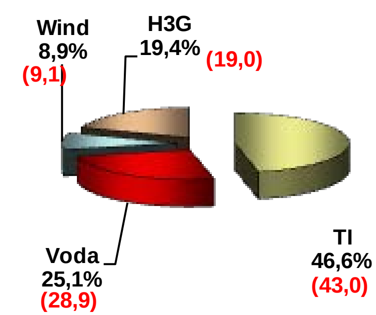
- Business customers (12.81 millions of SIM in June) increased on a yearly basis by about 600 thousands lines, while the residential segment (76.0 millions of SIM) experienced a decrease by about 4.4 millions.
- The business segment's market share increased by 1.2% (from 13.2% to 14.4% of the total customer base).
- **The first operator in the residential segment is Vodafone (30.6%), followed by Telecom Italia (29.7%) and Wind (27.7%).**
- In the mean time, Telecom Italia, with more than 63% of market share, is the principal operator in the business segment .

Market share by contracts – 2Q2014 (%)

Prepaid



Postpaid



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

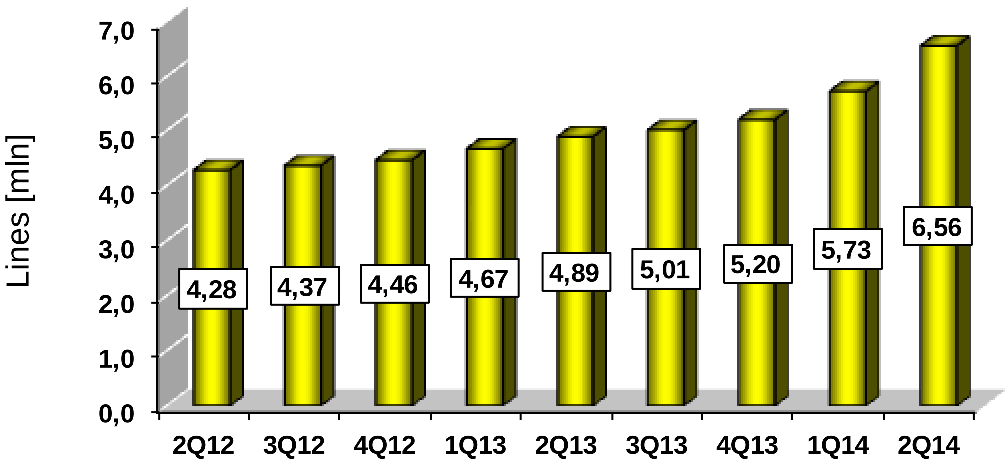
Contract type (1)

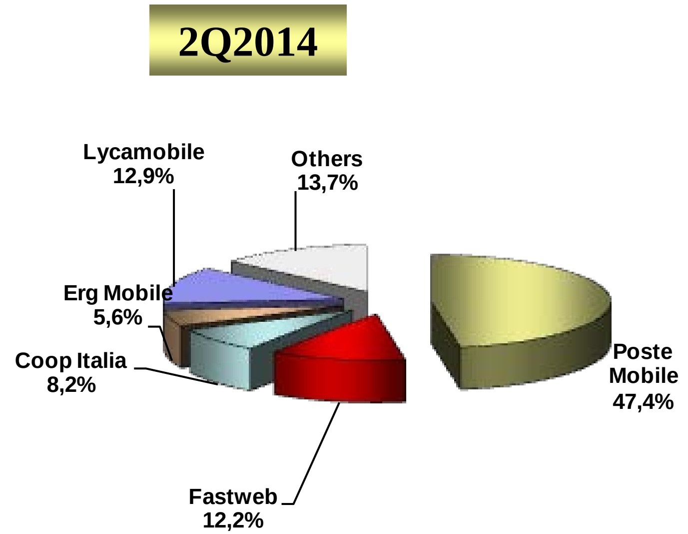
- The 79.9% of active lines are "prepaid" (weight stable compared with 2Q13).
- In two years, the postpaid lines increased, in absolute terms, by about 1 millions, while the prepaid decreased, by more than 4.5 millions.
- In the "prepaid" market with respect to june 2013, Telecom Italia (-0.5%) and Vodafone (-1.0%) decrease their market shares, while Wind has increased his market share by about 0.7% reaching an absolute value of 28.6%.
- Telecom Italia leads the "postpaid" segment with some 46.6% of market share (growing by about +3.6%), Wind and Vodafone have decreased by about -0.2% and -3.8% respectively.

Source: Agcom evaluation on data provided by operators

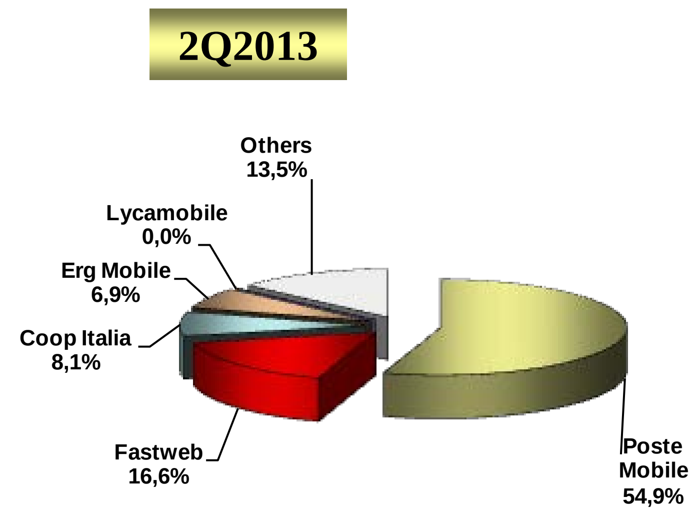
(1) - As a result of reclassifications and updates of corporate databases operated by Wind, the data are not entirely consistent with previous Observatory's review

7. Mobile lines: MVNO (*)





- The MVNO subscribers continue to grow, reaching 6.6 millions (+1.67 millions YoY), with a significant acceleration in the last two quarter.
- **This effect is mainly due to the entry of Lycamobile on the market, with a customer base that exceeds 800 thousands subscribers with an "ethnic" business model that is based on commercial synergies with clients in other countries.**
- Consequently, market structure from the beginning of 2014 changed significantly. Poste Mobile with 47.4% of the market share with respect to June 2013 lost 7.5%, while Lycamobile reaching about 13% becomes the second mobile virtual network operator
- YoY, voice traffic increased by 25%, while sms sent reduced YoY by 16.1%.

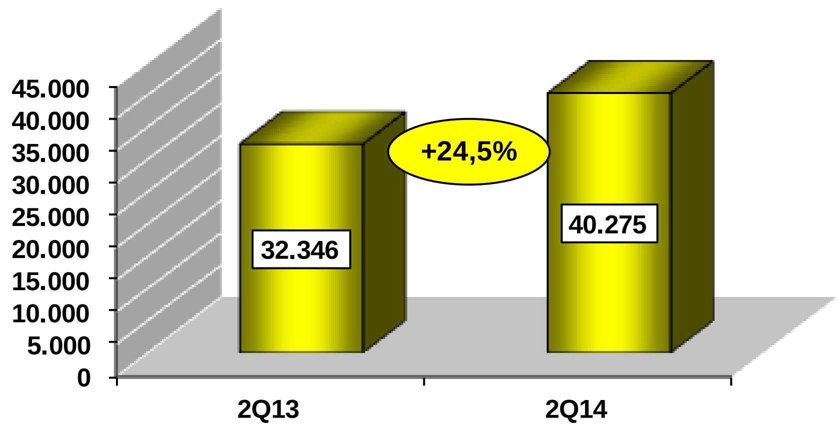


(*) - Starting June 2014, MVNO data include also Lycamobile (more than 20 millions customer in the world), that started up in the italian market at the beginning of 2014.

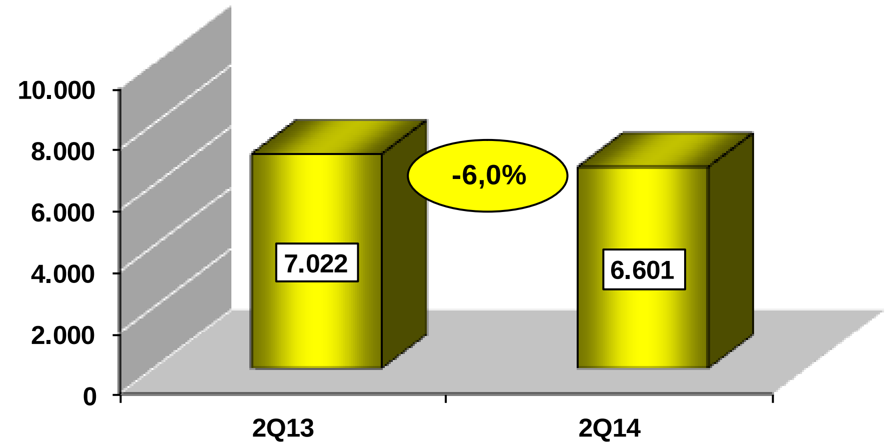
Source: Agcom evaluation on data provided by operators

8. Mobile broadband (MNO+MVNO)

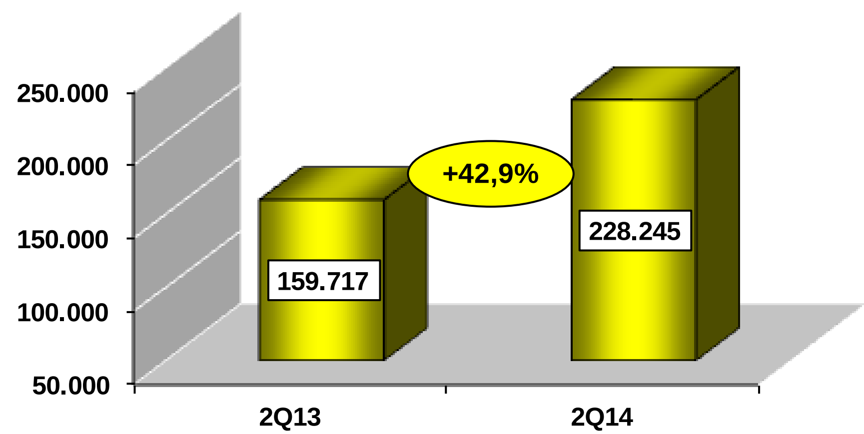
Sim data traffic (*1000)



Connect card (*1000)



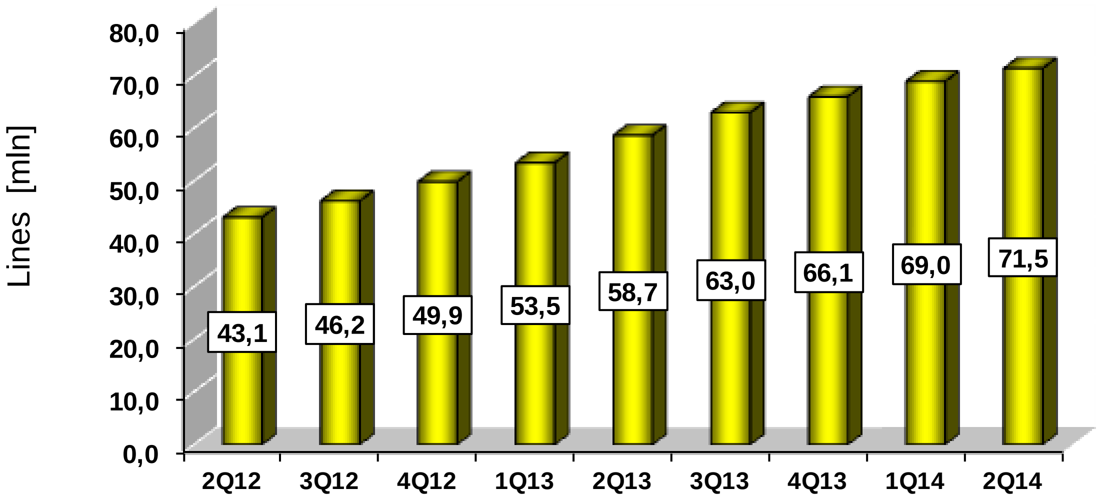
Data traffic from the b.y. (terabyte)



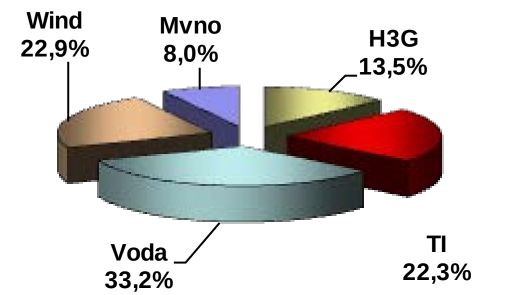
- In 1H2014, SIMs that made broadband data traffic reached some 40 millions (+24.5% YoY).
- The dedicated connect card declined by 6.0%, while in the mean time strong growth for which is foresees a dedicated “data subscription”.
- **YoY, data traffic has grown by 42.9%, more than correspondingly observed last year (+32.2%).**

Source: Agcom evaluation on data provided by operators

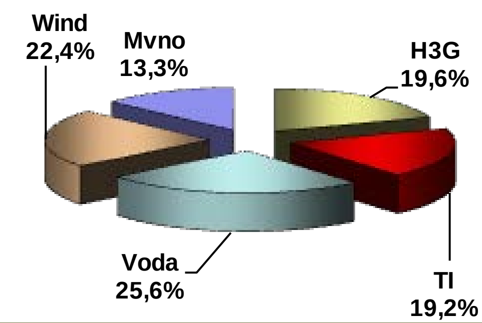
9. Mobile telephony - number portability



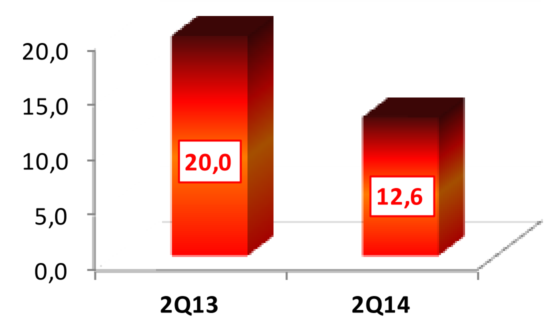
2Q14 - Lines as donor (in the quarter)



2Q14 - Lines as recipient (in the quarter)



Mobility index (%) (*)



- At 1H14, the number of ported lines reached, for all operators are 71.5 millions.
- YoY MVNO were able to adds more than 1.7 million lines cumulatively, slightly increased with respect to March.
- YoY, a positive trend is present for H3G (+776 thousands) and MVNO (+337 thousands), a negative trend is present for Telecom Italia (-219 thousands), Wind (-261 thousands) and Vodafone (-633 thousands).
- On a quarterly basis, the indicator worsens for Vodafone (from -117 to -191 thousands), remains stable for Telecom Italia while improves for Wind (from -107 to -14 thousands and Mvno (from +42 to 131 thousands)
- YoY, the “mobility index” shows a slowdown (from 20.0% to 12.6%).

Source: Agcom evaluation on data provided by operators

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