Autorità per le garanzie nelle comunicazioni

Quarterly Telecommunication Markets Observatory (*)

- Updated to 31 March 2013 -

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

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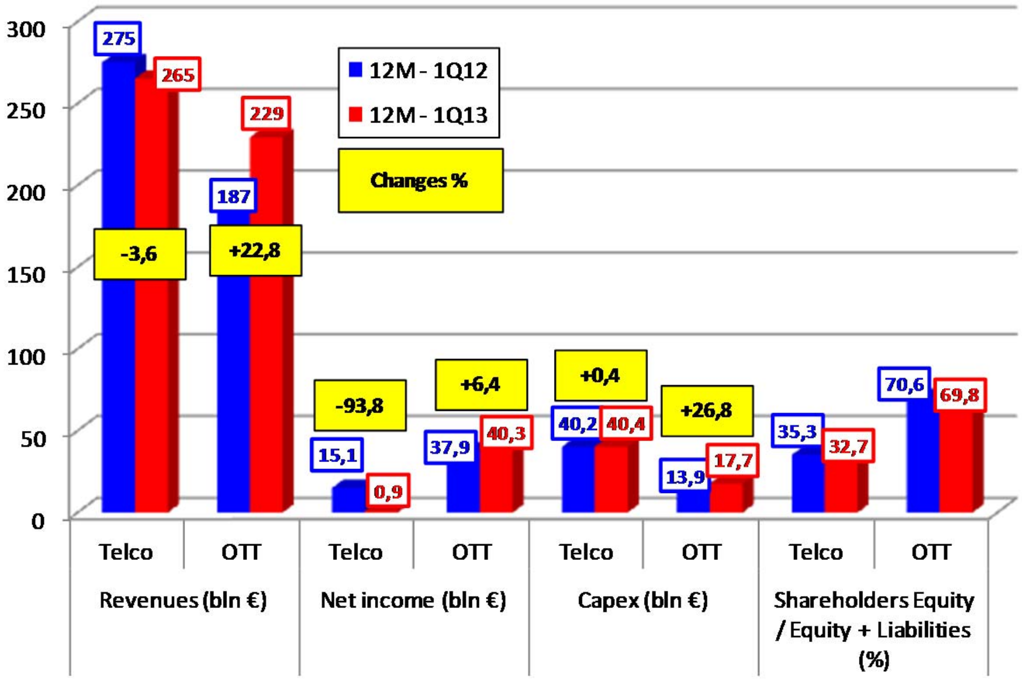
Focus - TLC traditional (1) operators vs OTT (2) - Consolidated results (12 months – 1Q13 vs 1Q12)



- Over the last 12 months Telcos' ("Top Six") revenues decreased by 3.6%, against an OTTs' revenues growth of 22.8%.
- Telcos' net income has experience a decline, mainly due to write-downs on goodwill (from 5.5% to 0.4% of sales), while OTTs' net income, with an increase of 6.4%, exceeds 40 billions, amounting to 17.6% of revenues.
- Telcos' capex remains stable (around 40 billions), while OTTs' capex, despite the strong growth (+26,8%), remains below the 50% of Telcos' level, both in absolute value and in relation to revenues (15,2% for Telcos as compared with 7.7% for OTTs).
- OTTs' shareholders equity/total liabilities ratio is more than double the homogeneous value observed for the Telcos (69.8% versus 32.7%), reflecting a much higher financial strength, and therefore the capability to make investments and/or acquisitions without using debt leverage.

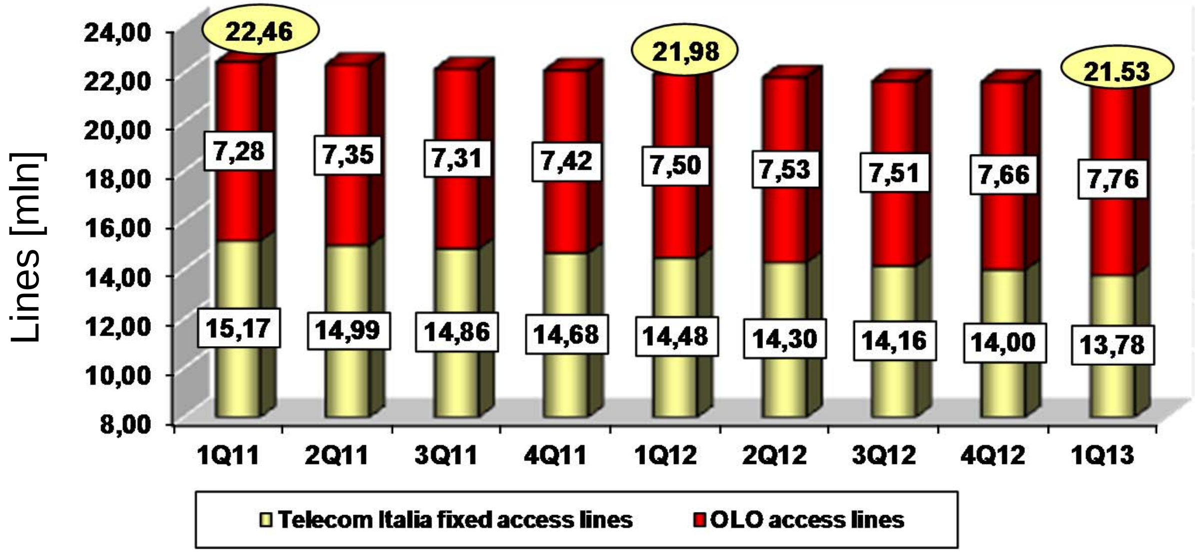
The two clusters considered - data are referred to "worldwide" activities - are composed by:

(1) TLC traditional operators: British Telecom, Deutsche Telecom, France Telecom, Telecom Italia, Telefonica, Vodafone

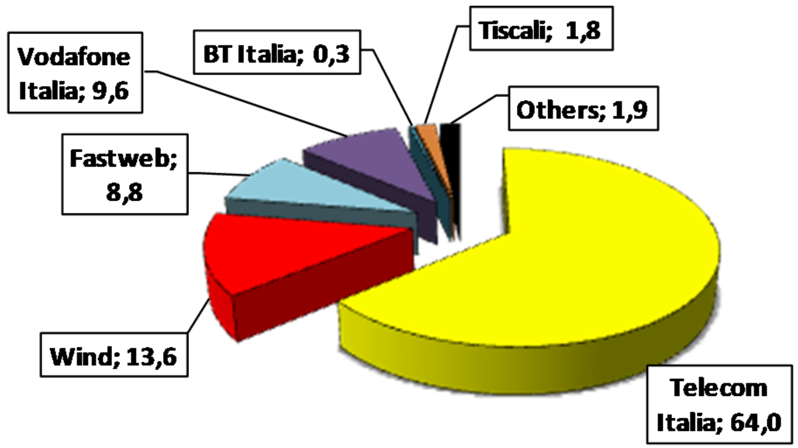
(2) OTTs ("pure" e "hybrid"): Apple, Google, Yahoo, Facebook, Amazon

Source: Agcom evaluation on data provided by companies

1. Fixed access lines (total) (1)

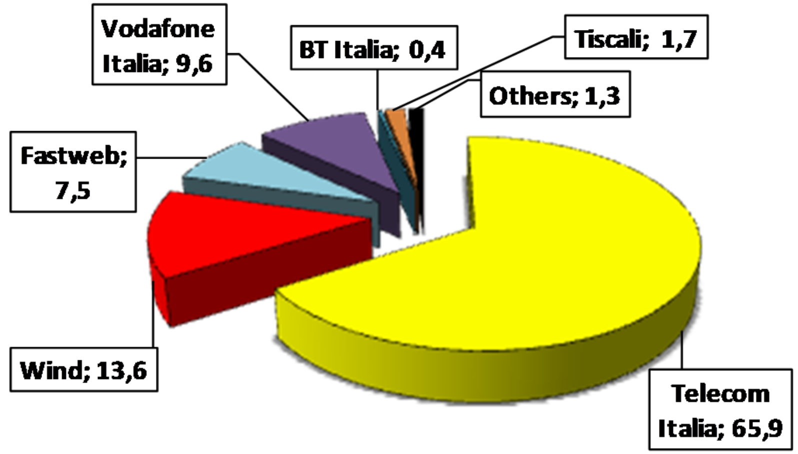


1Q2013



- Compared with March 2012, direct fixed access lines decreased by about 450 thousands, in line with the decrease observed in the previous year (-470 thousand accesses).
- In the last twelve months, Telecom Italia's market share further decreased by 1,9% to 64,6%.
- A significant increase has been experienced by Fastweb both on a yearly (+1.3%) and a quarterly basis (+0.5%).
- Vodafone and Wind showed negligible changes as compared with the previous quarter (-0.1% and +0.1%, respectively) and are stable on a yearly basis.

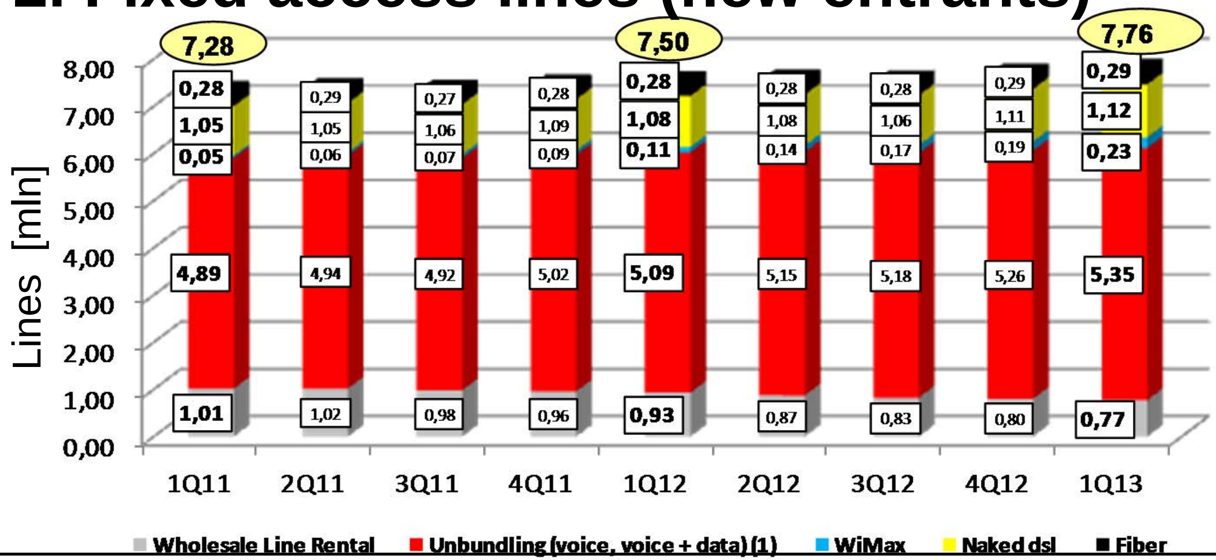
1Q2012

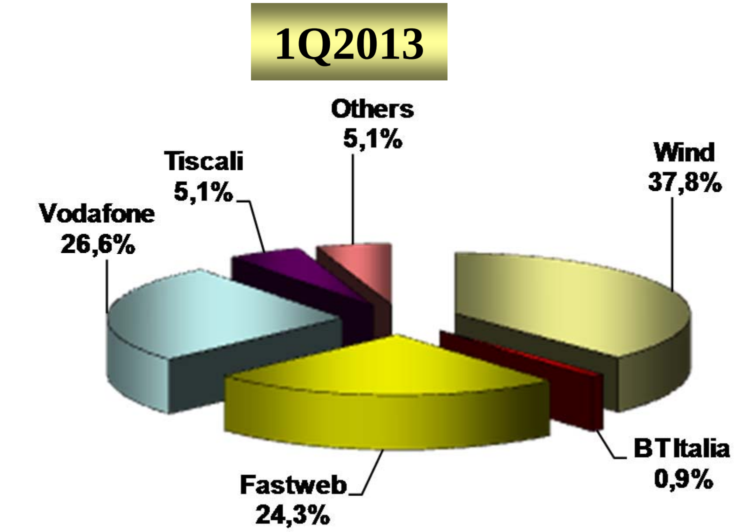


(1) Including Telecom Italia physical access, full unbundling (voice and data), Dsl Naked, WLR, Wimax and fiber lines.

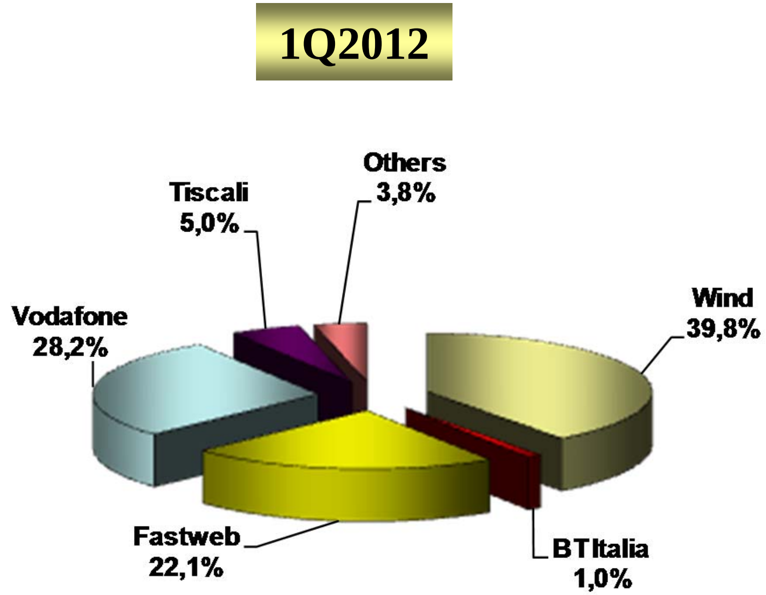
Source: Agcom evaluation on data provided by operators

2. Fixed access lines (new entrants)



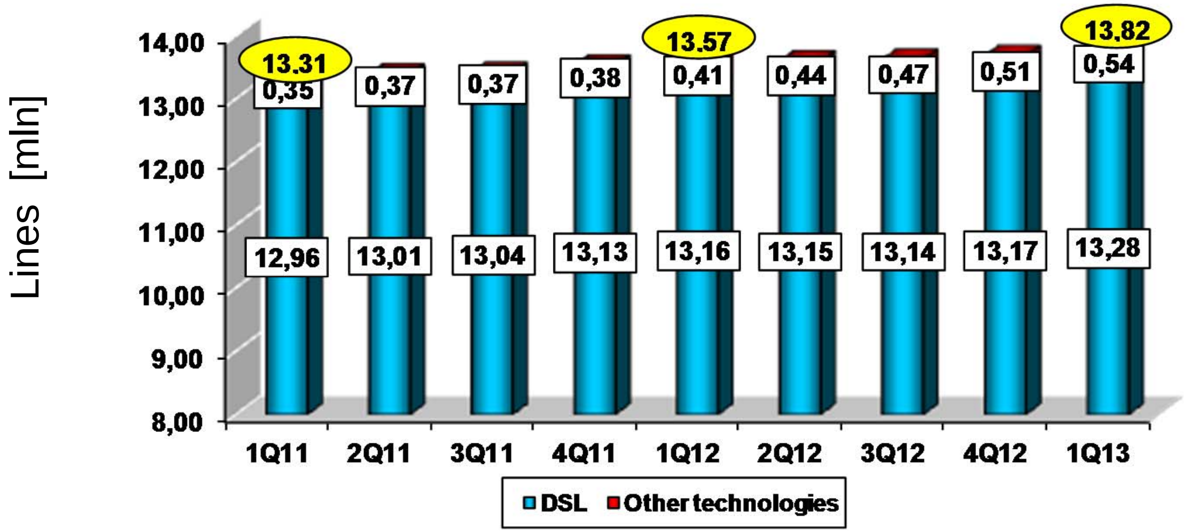


- On a yearly basis accesses grew by about 260 thousands (320 thousands in the previous year).
- The growth of Full LLU lines **(1)** (+250 thousands on a yearly basis) came along with a reduction of WLR lines (about 160 thousands). On a quarterly basis, the overall growth consists of about 100 thousand lines.
- Considering the direct accesses distribution by operator, Wind ranks at the first place (37.8%), but has experienced a decline both on a YoY (-2.0%) and a quarterly (-0.5%) basis.
- Fastweb's market share has increased, both on a yearly and a quarterly basis (+2.2% and + 0.7%, respectively).
- Vodafone has experienced a decrease in its market share in both cases (-1.6% and -0.7%, respectively).
- The increase in WiMax access, which represents the 44% of the overall increase of OLOs' lines on a yearly basis, contributes to the growth of "other professionals" (+1.3% yoy).
- Linkem represents over the 55% of the specific segment (followed by Aria with about 38%), which in 1Q13 reached, overall, 230 thousand lines. **(2)**

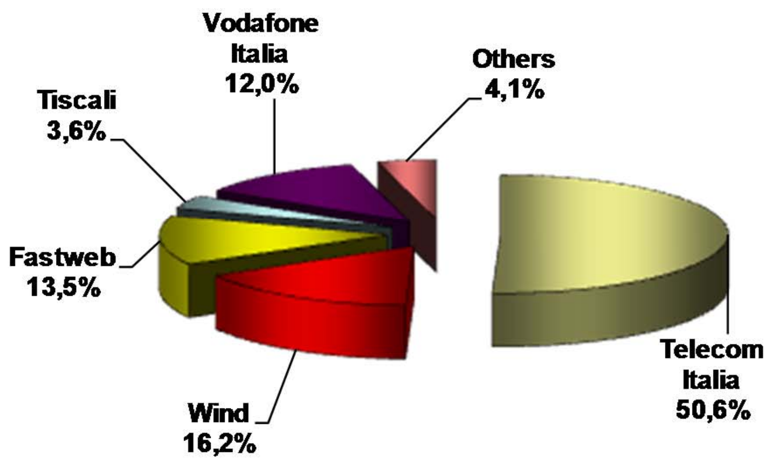


Source: Agcom evaluation on data provided by operators **(1)** – Including virtual LLU. **(2)** – Including Aria, Linkem, Mandarin e WaveMax.

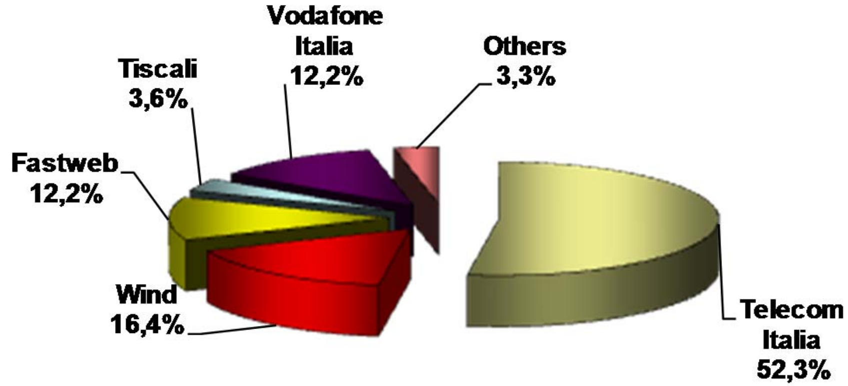
3. Retail broadband access lines



1Q2013



1Q2012

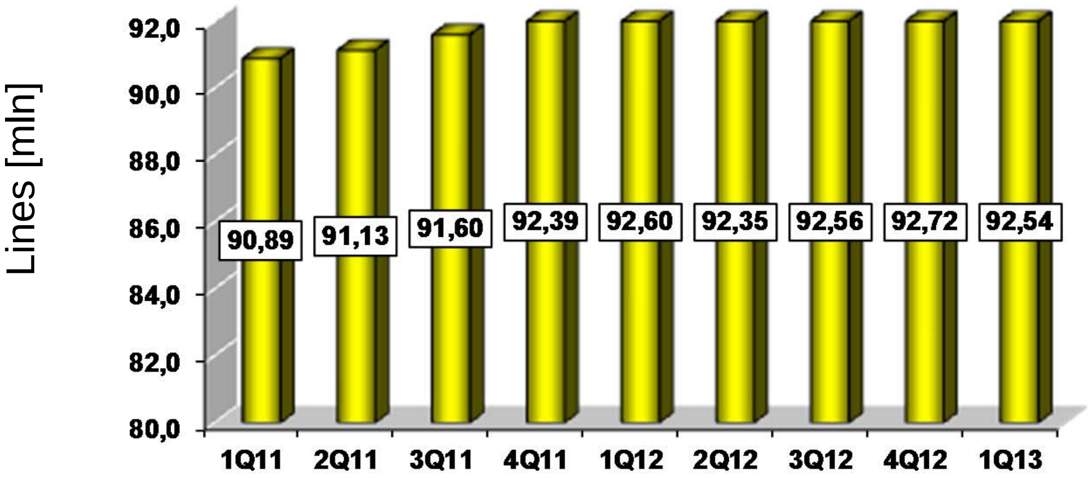


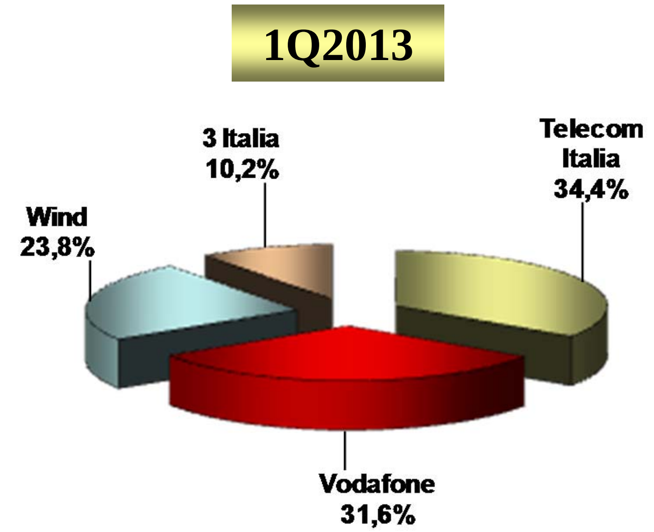
- YoY, broadband lines growth was about +250 thousands. Compared with December, the customer base increased by about 150 thousand lines (1).
- Telecom Italia's market share (50.6%) falls (-1.7% compared with the last year) to the benefit of Fastweb (+1.2%) and the smaller companies, represented largely by WiMax operators (+0.8%).
- YoY, Vodafone's and Wind's market shares slightly declined (-0.2% in both cases).
- Avg. download speed increased: in the last year, lines with nominal speed equal to or greater than 2 Mbit/s increased from 87.4% to 88.9%.

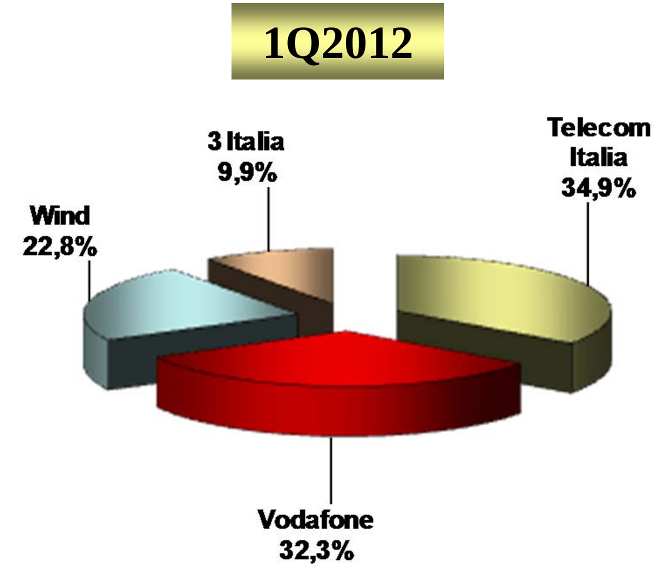
(1) With the present Observatory update, WiMax accesses are included. Data series is in homogeneous terms

Source: Agcom evaluation on data provided by operators

4. Mobile subscribers – customer base (excl. MVNO, see page 9)





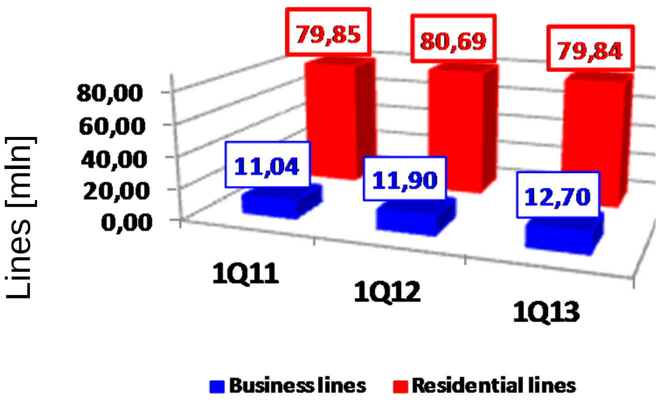


- YoY, the customer base is substantially stable (-60 thousand lines) in slight reduction on a quarterly basis (-180 thousands).
- YoY, the number of residential lines decreased (-852 thousands, -587 thousands of which in 1Q13), balanced by an increase of business lines (about +794 thousands).
- In the mean time, the number of prepaid lines decreased of 2.0 millions, while the number of postpaid lines increased by the same amount, showing that the expansion of postpaid customer base continues (see the following slide).
- YoY, Telecom Italia's and Vodafone's market shares decreased by 0.5 and 08%, respectively. H3G's and Wind's market shares grew up (+0.3% and +1.0%, respectively).
- YoY, voice traffic (more than 35 billion minutes in 1Q13) increased by 4.0%.
- SMS sent (22.5 billions in 1Q13) show for the first time a slight decrease (-4%) probably due to the growth of the "app" mobile messaging use.

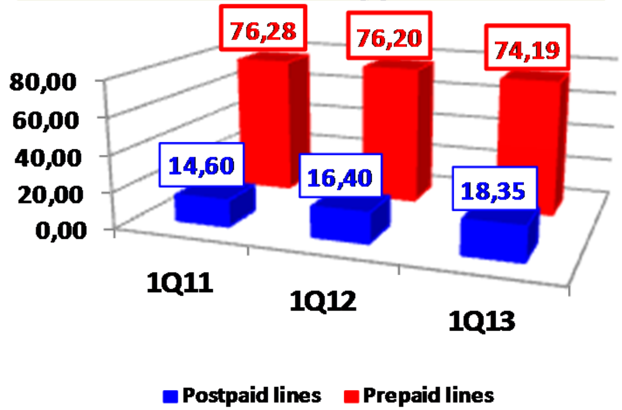
Source: Agcom evaluation on data provided by operators

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

Customer type

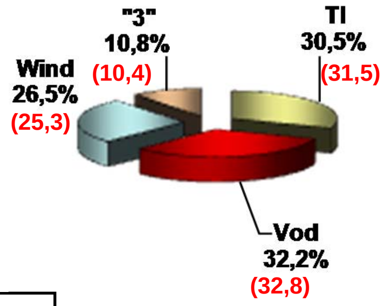


Contract type

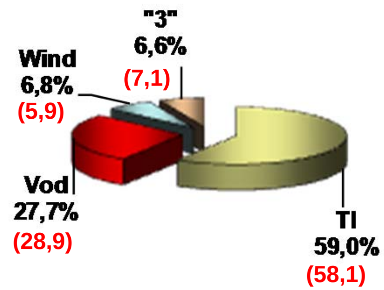


Market share by customers – 1Q2013 (%)

Residential



Business



Customer type

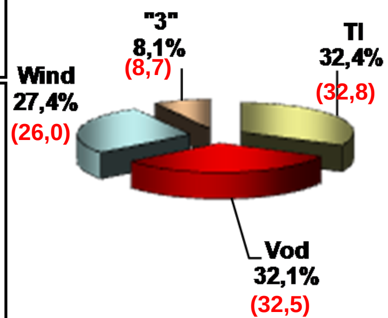
- Business customers (12.7 millions in March) increased on a yearly basis by about 700,000 lines, while the residential segment (79.8 millions of sim) experienced a decrease by an amount slightly higher.
- The business segment's share increased by 0.8% (from 12.9% to 13.7% of the total customer base).
- The first operator in the residential segment is Vodafone (32.2%), followed by Telecom Italia (30.5%) and Wind (26.5%).
- Telecom Italia holds a strong position in the business segment (59.2%).

Contract type

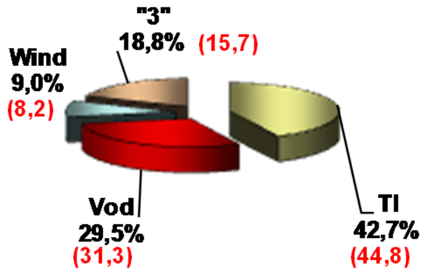
- 80.2% of active lines are "prepaid“ (82.3% in March 2012).
- In two years, mainly due to the widespread use of smartphones and tablets, postpaid lines increased by 3.7 millions while the prepaid decreased by about 2.1 millions.
- In the “prepaid” market, Telecom Italia and Vodafone are both slightly over 32%, while Wind exceeds 27%, increasing by 1.4% as compared to 2012.
- Telecom Italia leads the "postpaid" segment with about 43%, but has experienced a decrease of 2.1% as compared to March 2012.

Market share by contracts – 1Q2013 (%)

Prepaid



Postpaid

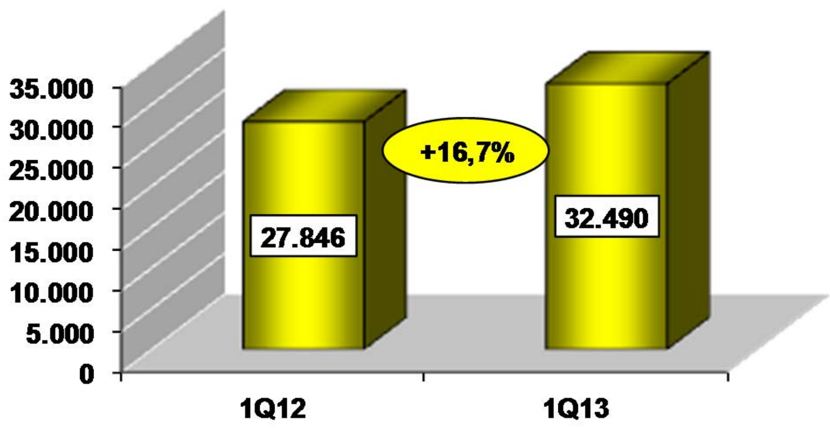


(the corresponding values for March 2012 are shown in brackets)

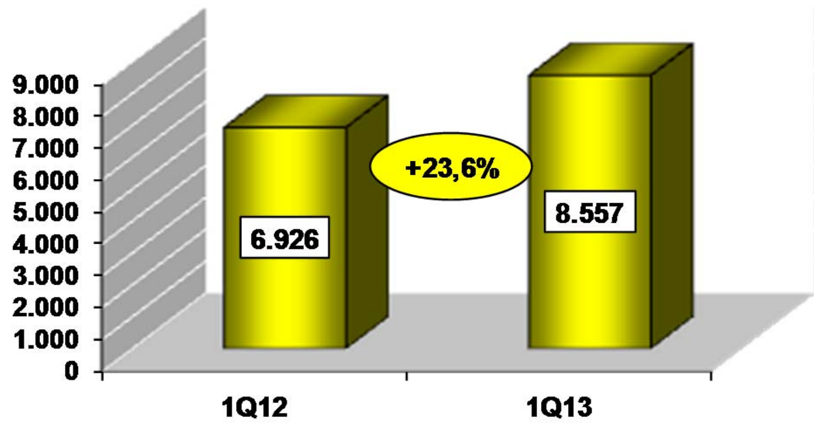
Source: Agcom evaluation on data provided by operators

6. Mobile broadband (1)

Sim data traffic (*1000)

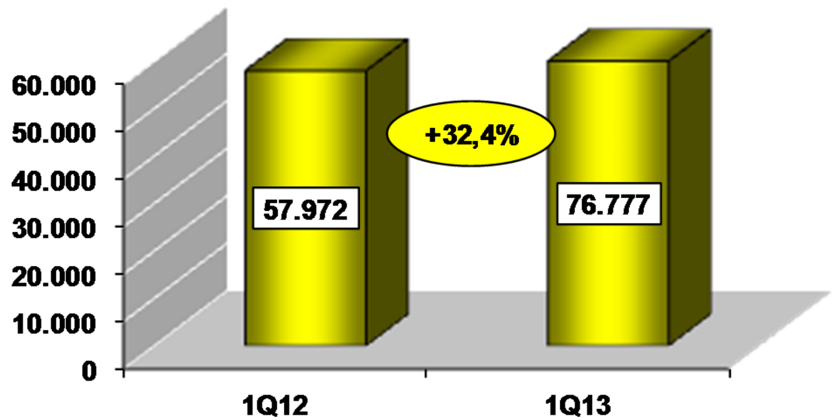


Connect card (internet key) (*1000)



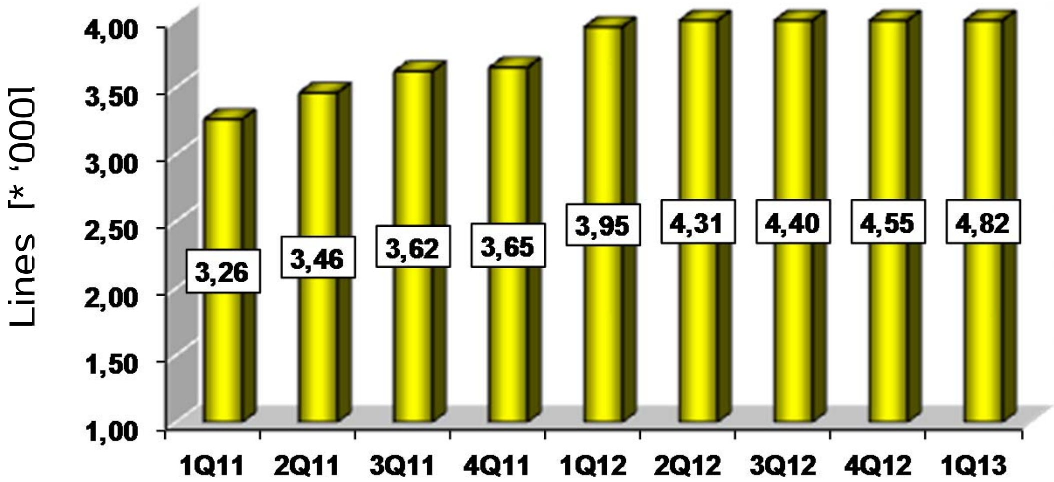
- In March, SIMs with broadband data traffic reached about 32.5 millions (+16.7% YoY).
- The dedicated "connect card" (keys) reached about 8.6 millions (+23.6% compared to 1Q12).
- YoY, data traffic has grown by 32.4%.

Data traffic from the b.y. (terabyte)

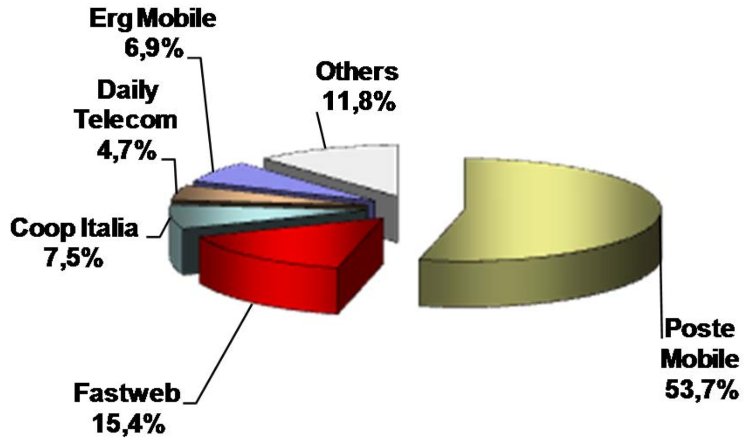


(1) Data include MNO and MVNO

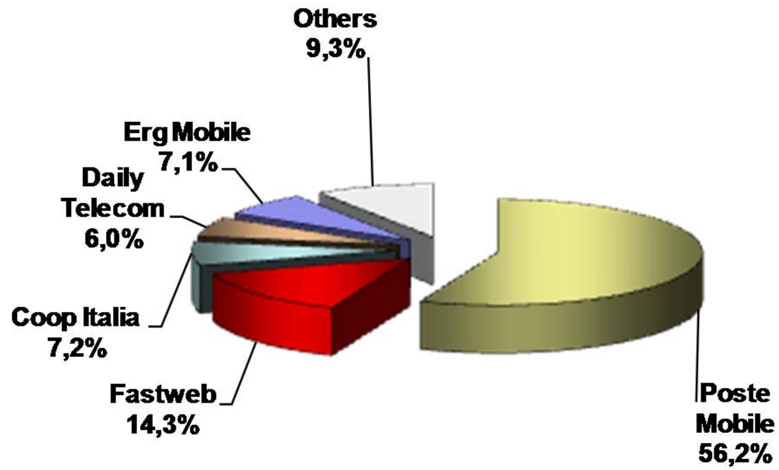
7. Mobile virtual operators (MVNO)



1Q2013



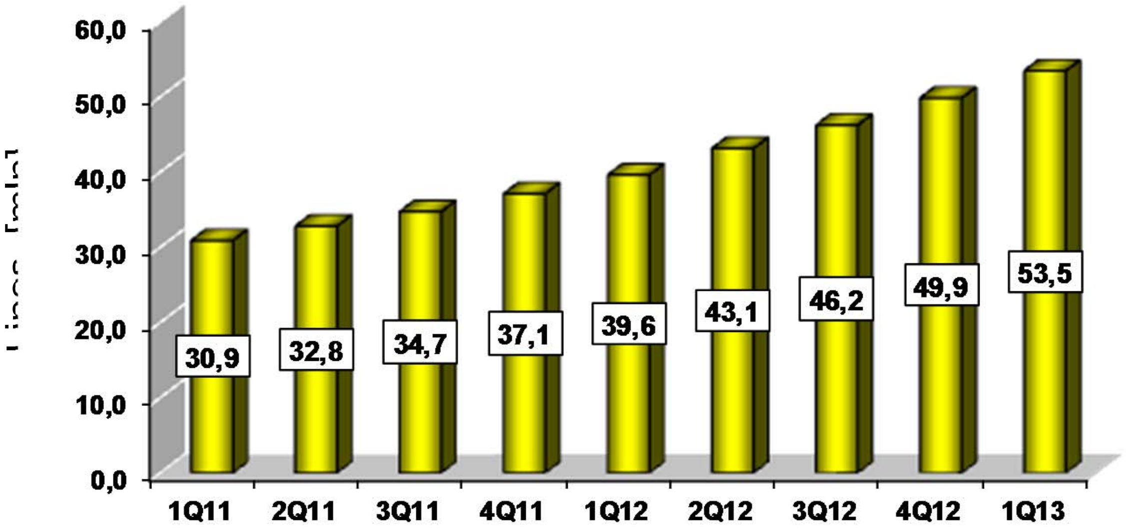
1Q2012



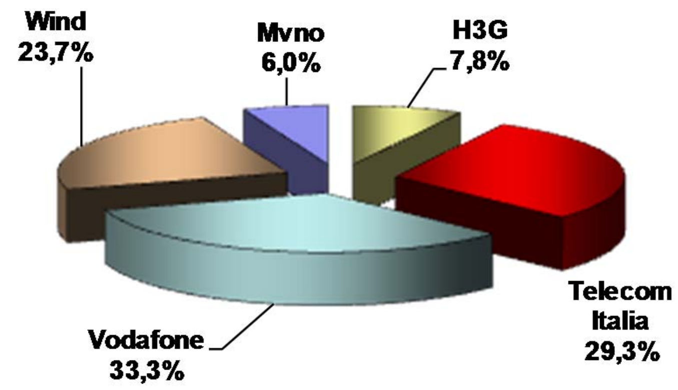
- The growth of MVNO subscribers continues (+900 thousands yoy), total lines reached 4.8 millions (about 4.9% of the total mobile customer base).
- Poste Mobile's market share is about 54% (2.6% of overall market) lines), declined by about 2.5% as compared to March 2012.
- On a yearly basis, the growth of Coop Italy, Noverca (both +80 thousand lines) and especially Fastweb (+180 thousands) is remarkable.
- YoY, voice traffic and SMSs sent has increased by about 40% and 52%, respectively.

(1) – The present Observatory update includes also Bip Mobile and Green ICN data.

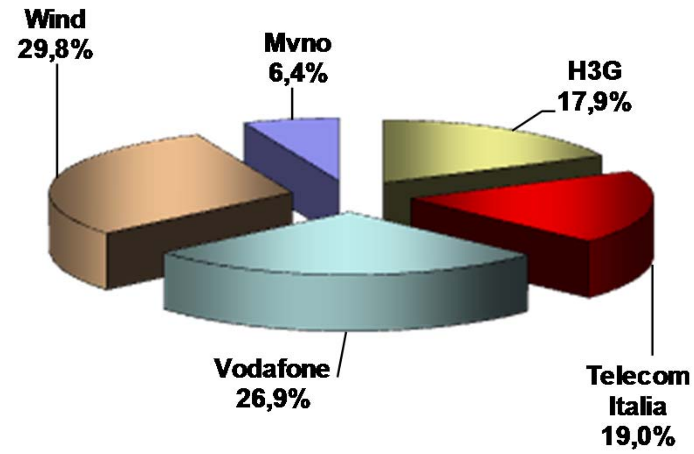
8. Mobile telephony: number portability



1Q13 - Lines as donor (in the quarter)



1Q13 - Lines as recipient (in the quarter)



- In 1Q2013, the number of ported mobile lines reached, cumulatively, 53.5 millions.
- Mobile virtual operators were able to gain more than 1.3m net adds in the number of lines, stable compared to December.
- On a yearly basis, the net balance “donating-recipient" is negative for Telecom Italia (-698 thousand sims) and Vodafone (-630 thousand sims) and is positive for Wind (+366 thousand sims), MVNOs (+178 thousand sims) but especially for H3G (+775 thousand sims).
- On a quarterly basis, Telecom Italia’s and Vodafone’s balance worsened (from -188 to -370 thousands and from -91 to -230 thousands, respectively). H3G and Wind improved the already positive balance (from 168 thousands to 365 thousands and from 87 thousands to 222 thousands, respectively). Albeit slightly, MVNO is positive again (+14 thousands at 1Q13).