COMMUNICATION MARKETS MONITORING SYSTEM

no. 2/2016

Index

1. Electronic communications

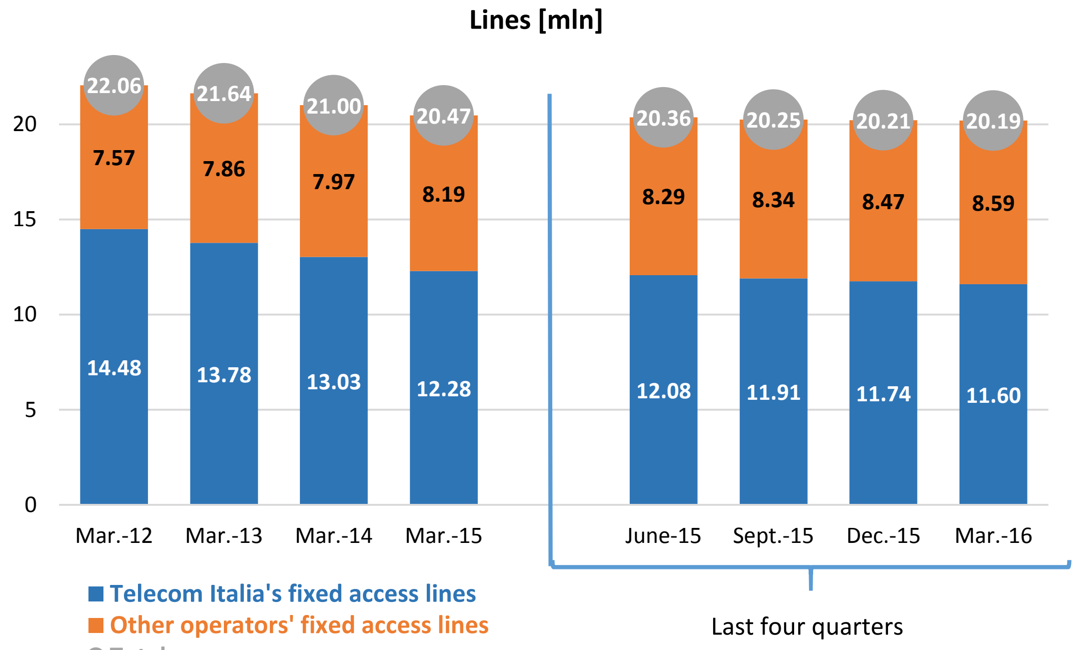
2. Media

3. Postal services and express couriers

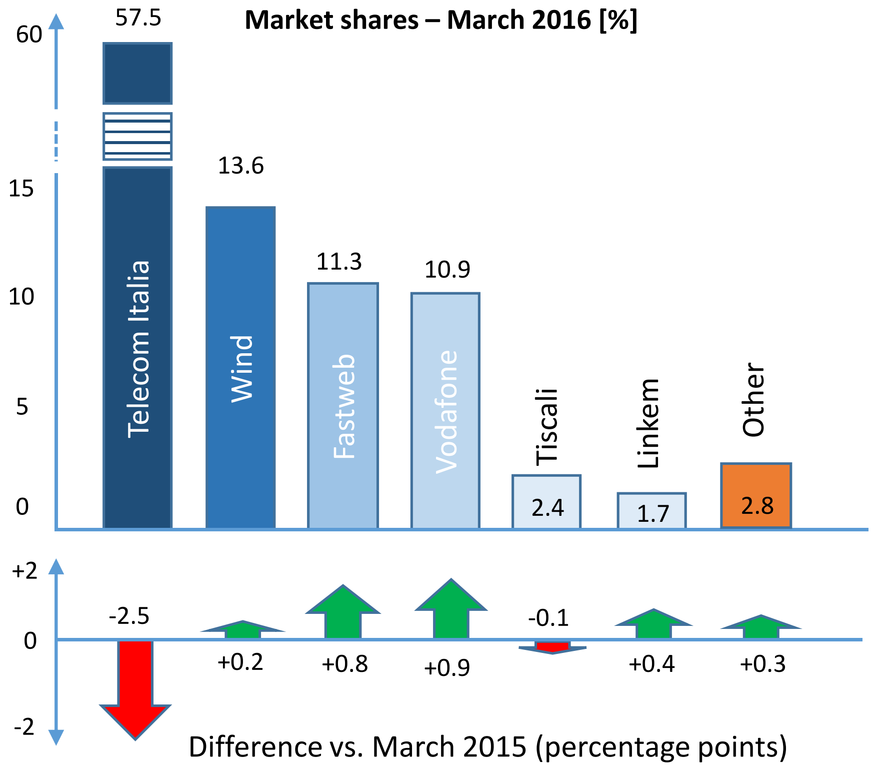
4. Communication services' prices

The following figures are based on AGCOM's elaborations on firms' data and other sources (updated to March 2016)

1.1 Total fixed access lines



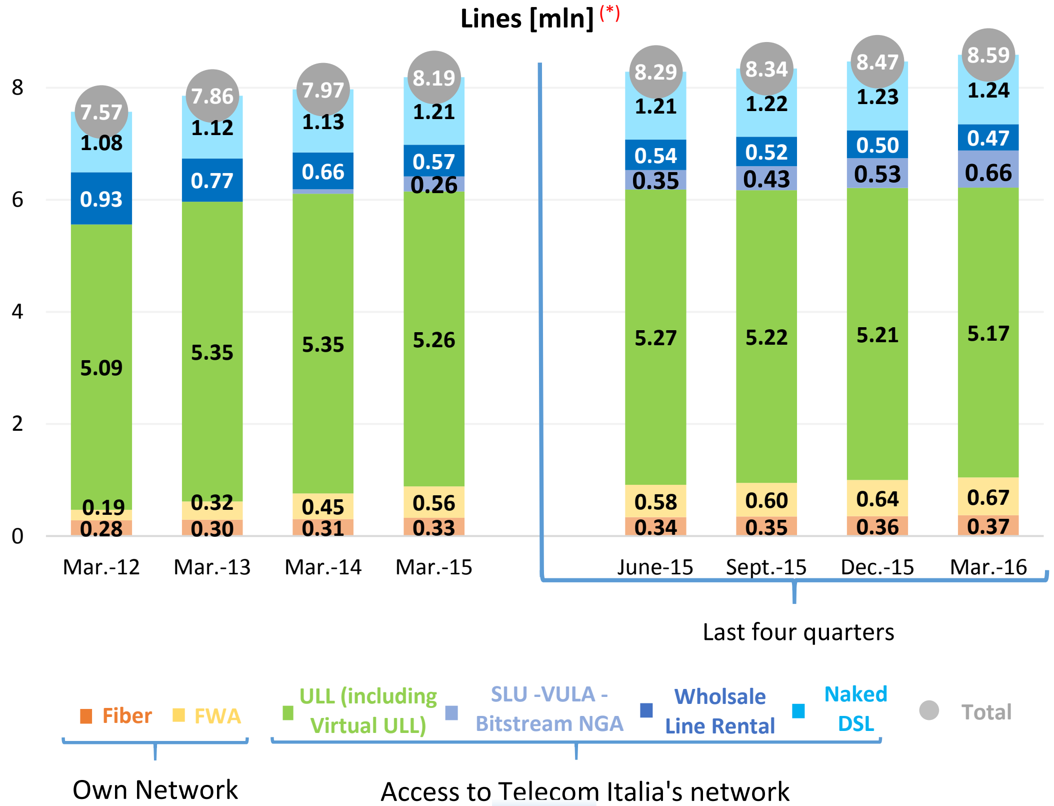
Note: access lines include Telecom Italia’s fixed access lines, fully unbundled, SLU, VULA, DSL naked, WLR, fiber and FWA lines

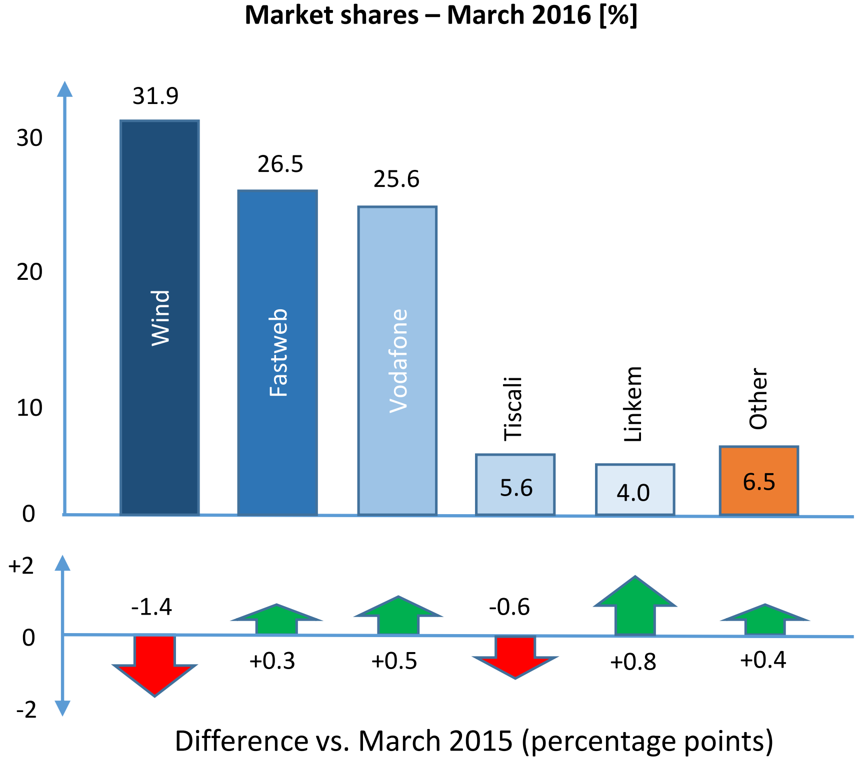


- Total access lines have decreased by **280** thousand units over the last twelve months
- While Telecom Italia’s access lines have decreased by **680** thousand units, other operators’ access lines have increased by about **400** thousand units
- Over the last four years, Telecom Italia’s access lines have decreased by **2.9** million units

- Telecom Italia’s market share has fallen below **60%**, with a decrease of **2.5** pp (YoY)
- Fastweb’s market share has reached **11.3%**, with a growth of **0.8** pp (YoY); similarly, Vodafone’s market share has reached **10.9%**, with a growth of **0.9** pp
- Other operators have, as a whole, increased their market share by **0.3** pp (YoY); the increase has been more evident for Fixed Wireless Access (FWA) operators

1.2 Alternative operators' fixed access lines

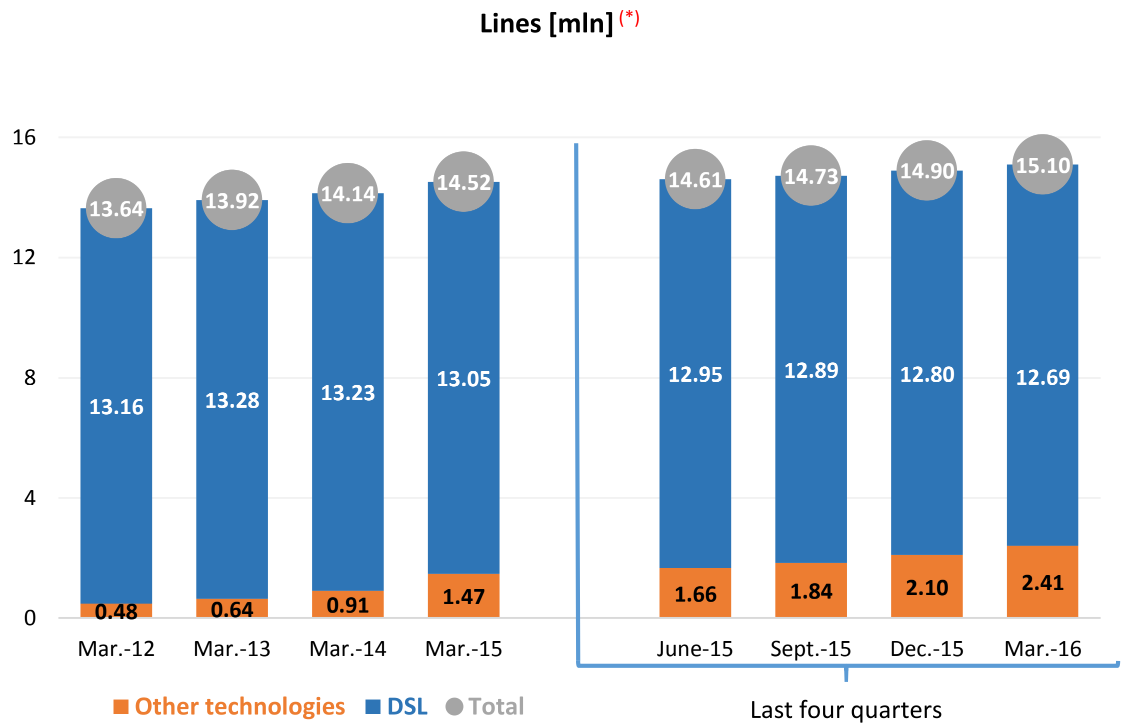


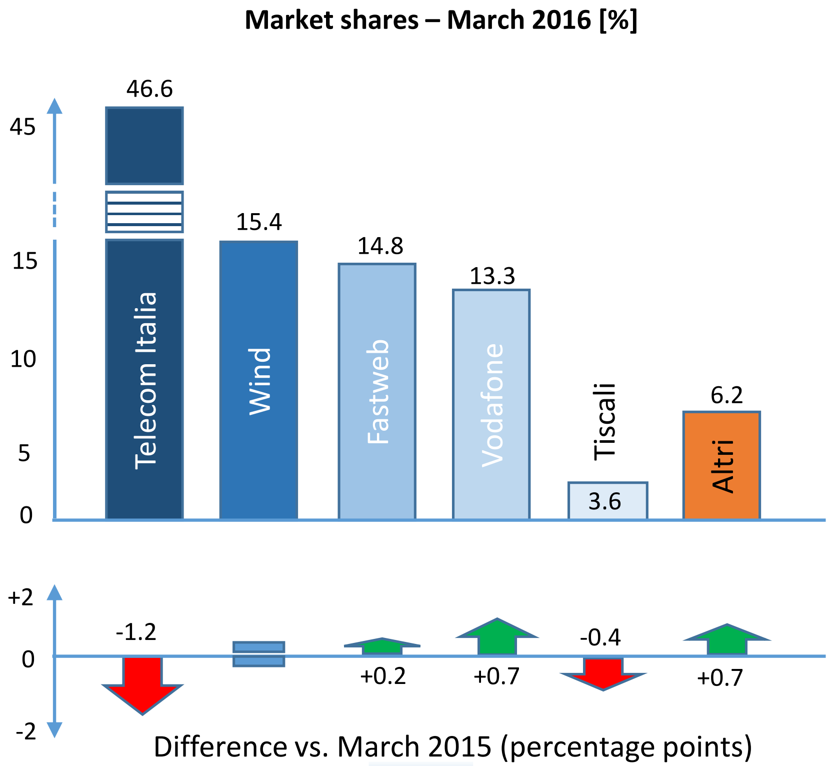


- Access lines provided by other operators have increased by **400** thousand units (YoY)
- A substantial part of this growth (**390** thousand lines) is essentially due to the new NGA services offered by Telecom Italia (SLU and VULA)
- FWA lines have increased by **110** thousand units (YoY)

- Wind is still the first alternative operator, but its market share has shown a decrease of **1.4** pp (YoY)
- Fastweb's market share continues to growth (**+0.3** pp YoY)
- The growth of other operators' market share (**+0.4** pp YoY) is essentially due to the increase of the number of FWA lines

(*) Due to changes in firms' accounting methods, figures cannot be compared directly with those reported in previous issues





- Broadband lines have increased by about **580** thousand units YoY
- DSL lines have decreased by about **360** thousand units YoY, now accounting for the **84%** of broadband fixed lines (**12.69** million lines)
- Other technologies, in particular NGA lines, have increased by **930** thousand units YoY

- Telecom Italia's market share has reduced by **1.2** pp (YoY)
- Fastweb's and Vodafone's market shares have increased by **+0.2** and **+0.7** pp, respectively
- The growth of other operators' market share (**+0.7** pp) is essentially due to the increase in the number of FWA lines

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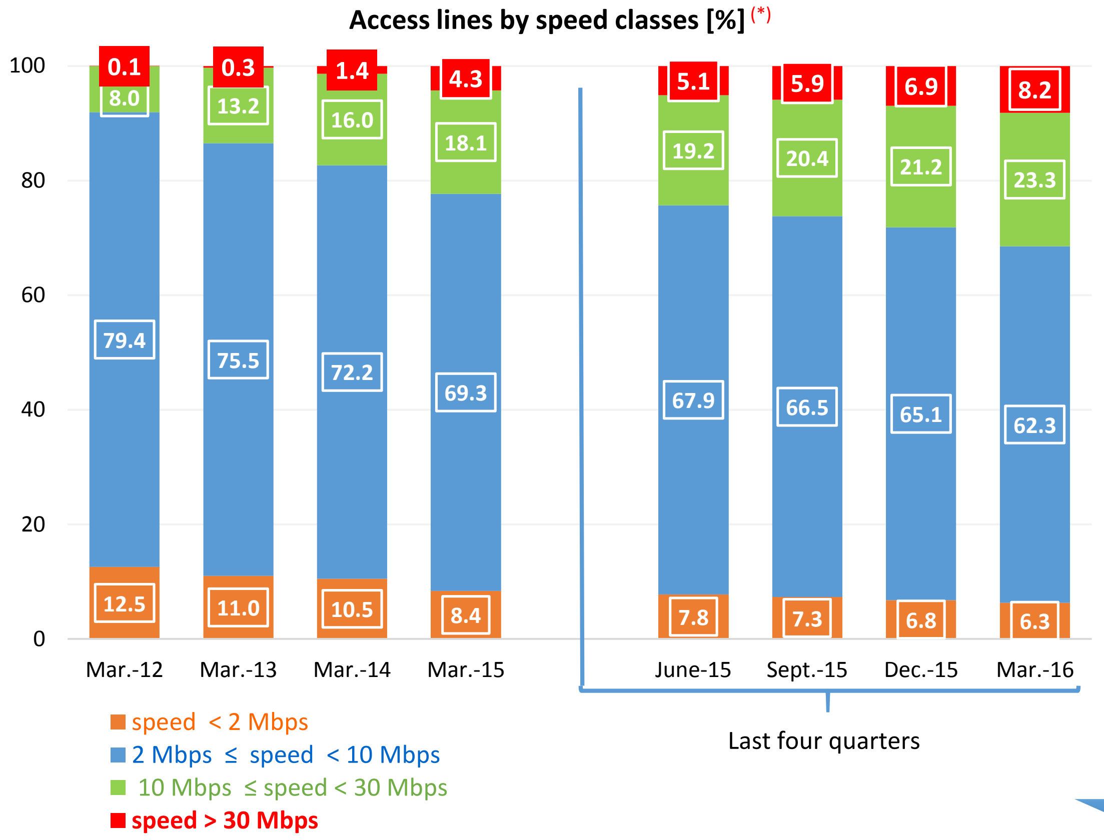
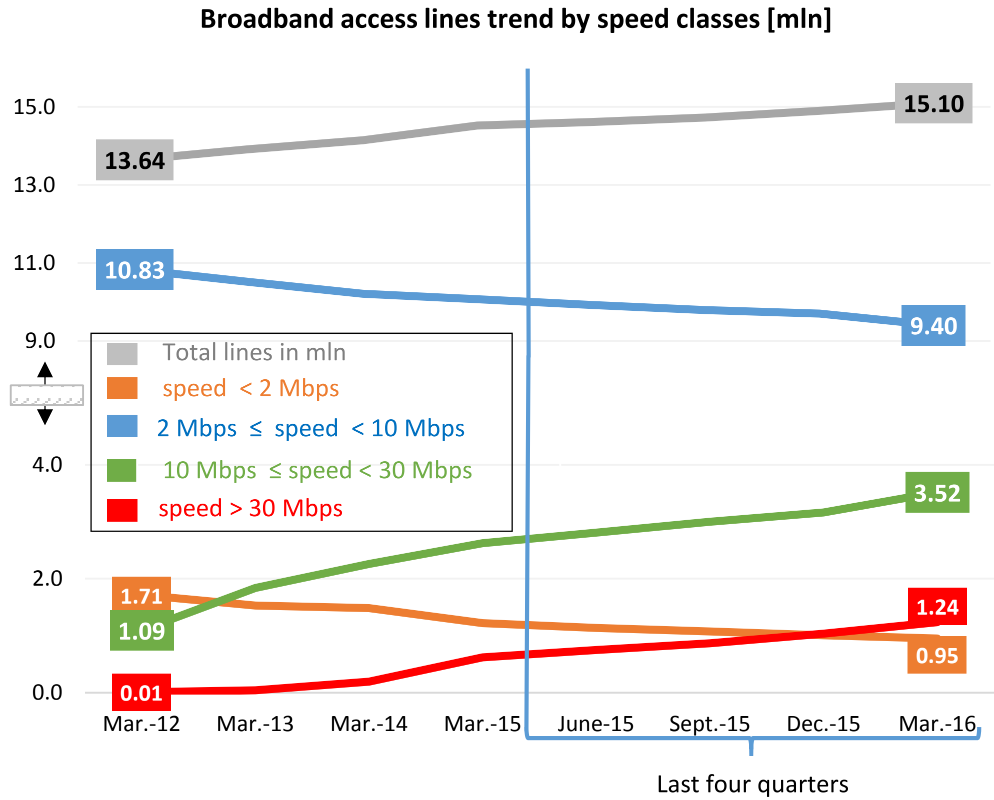
1.4 Broadband fixed lines by speed

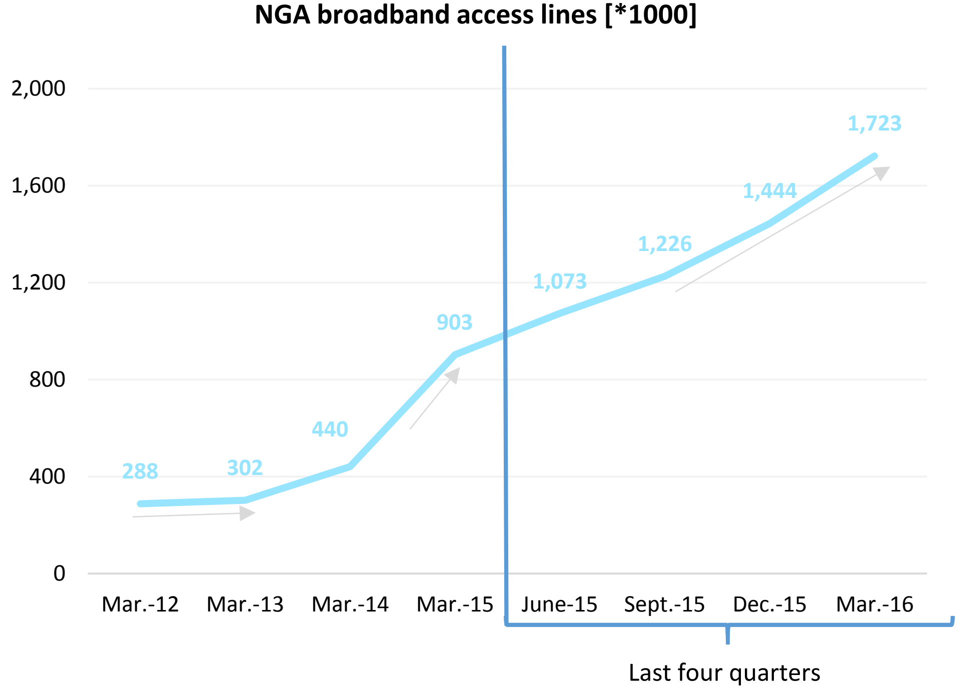


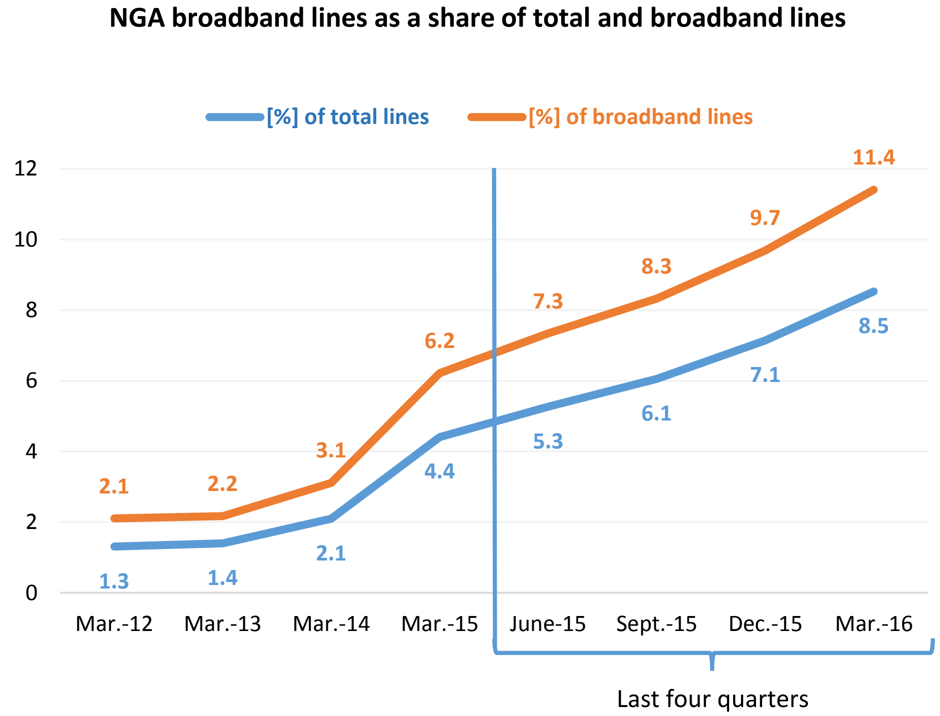


- At the end of March 2016, NGA lines exceeded **1.7** million units (**+279** thousand units from the beginning of the year)
- Broadband lines faster than 10 Mps have increased by more than **1.5** thousand units YoY and account for **31.5%** of total broadband lines
- Broadband lines faster than 30 Mps have increased by **620** thousand units YoY and account for **8,2%** of total broadband lines
- Telecom Italia owns less than **55%** of faster than ≥10 Mbps
- Wind has shown the most conspicuous growth of ≥10 Mbps lines YoY (**+400** thousand)

(*) Due to changes in firms' accounting methods, figures cannot be compared directly with those reported in previous issues

1.5 NGA broadband fixed lines

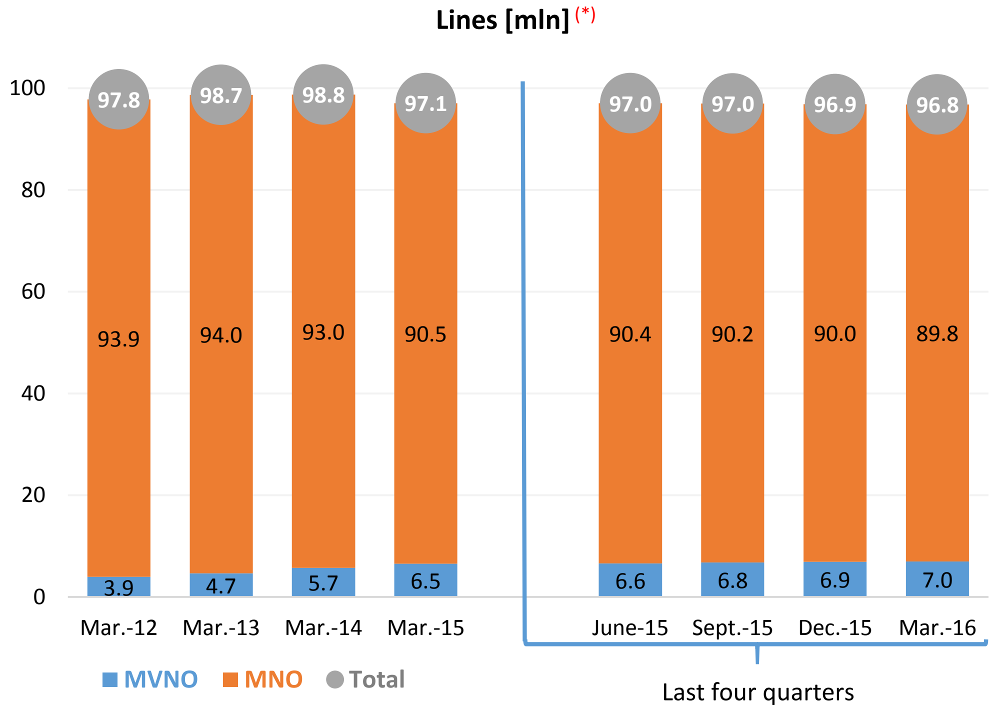




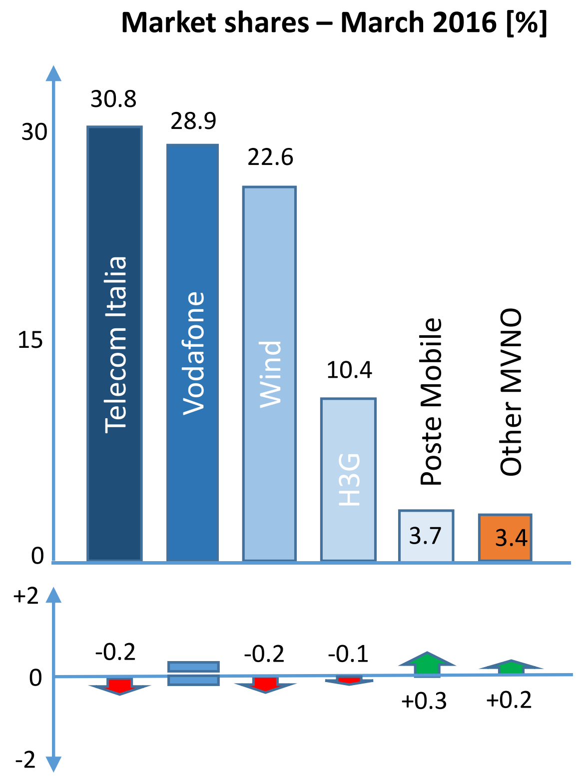
- NGA lines account for **8.5%** of total fixed lines and for **11.4%** of broadband fixed lines
- More than **83%** of NGA lines are provided by Fastweb and Telecom Italia
- Vodafone has shown the most conspicuous growth of high speed lines YoY, increasing its market share from **5.9%** to **18.5%** YoY

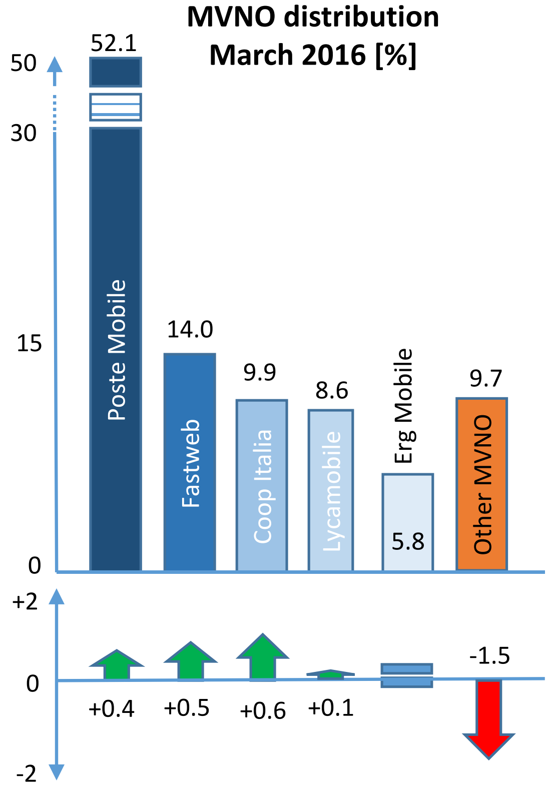
(*) Consistently with the definition given by the EU, NGA lines include the following type of access: vDSL, Fiber to the home, Fiber to the building, Ethernet+Lan, Cable and Other NGA

1.6 Mobile subscribers



MVNO = Virtual Operators
MNO = Network Operators





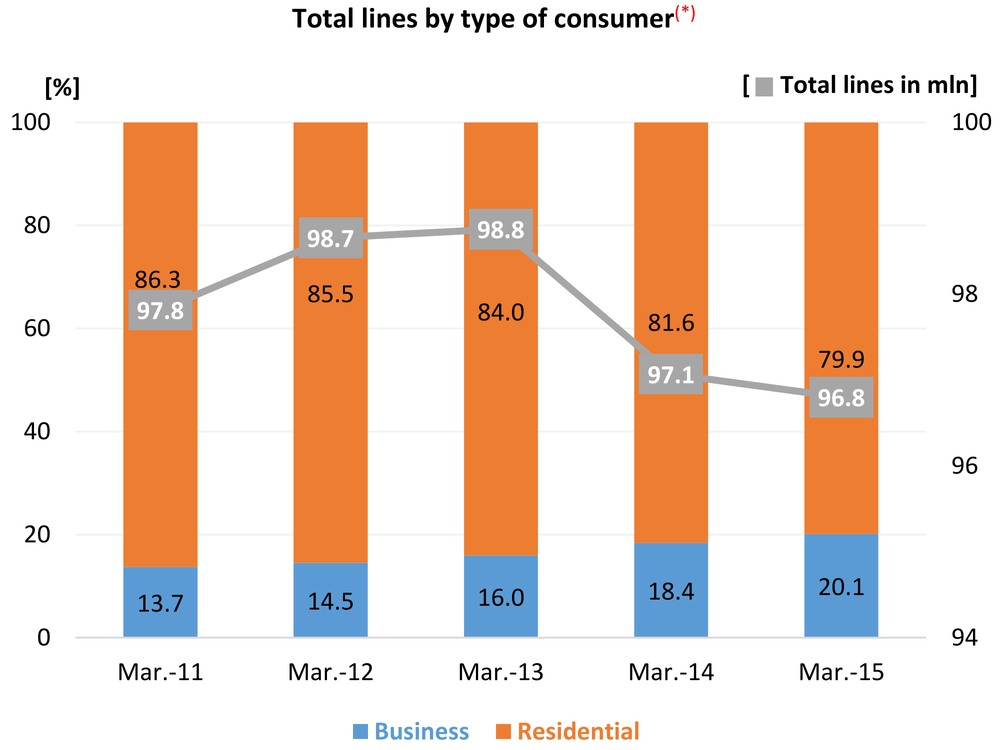
Difference vs. March 2015 (percentage points)

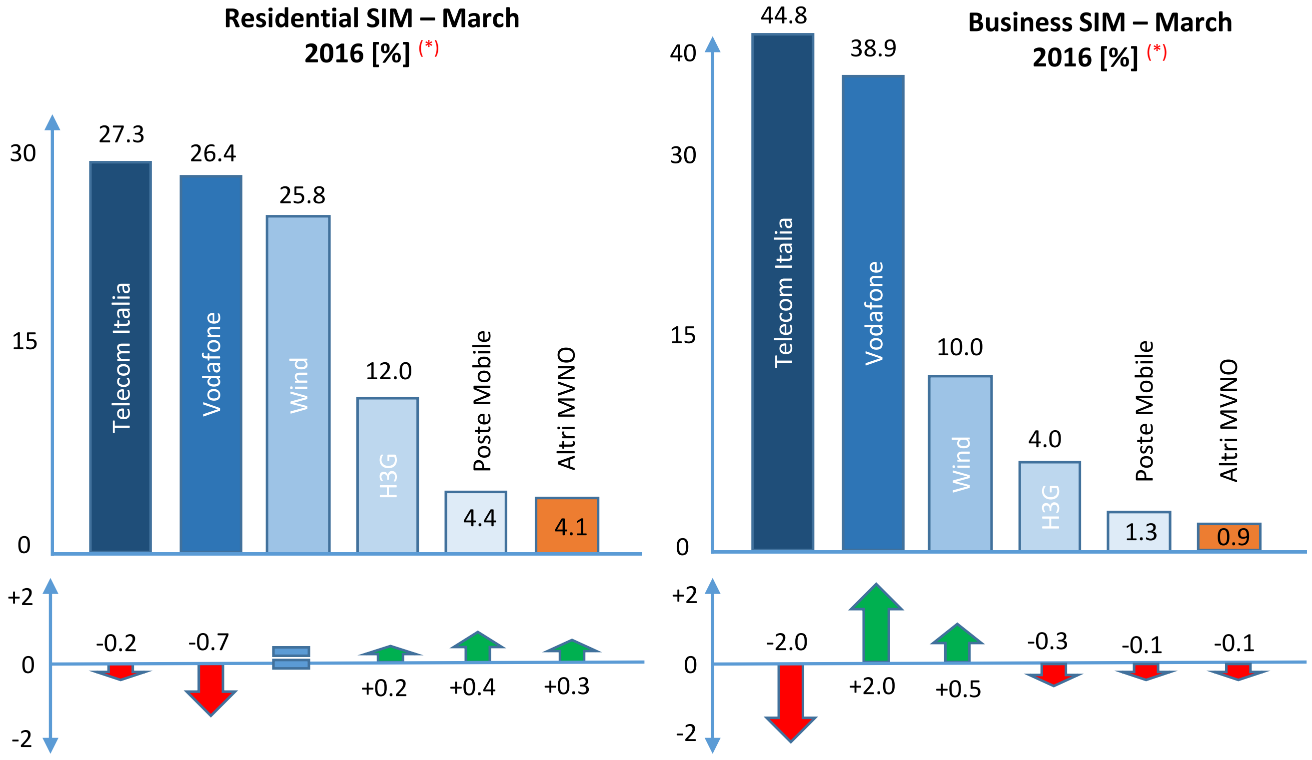
- On a yearly basis, mobile lines have decreased by about 0.3 million units
- MNOs' lines have decreased by 0.7 million units, whereas MVNO's lines have increased by 0.4 million units
- MVNOs' lines account for **7.5%** of total lines

(*) Due to changes in firms' accounting methods, figures cannot be compared directly with those reported in previous issues

- Telecom Italia's market share has decreased by -0.2 pp (YoY), while Vodafone's market share has remained stable at **28.9%**
- Poste Mobile's and other MVNOs' market shares show an overall increase of +0.5 pp
- Among MVNO operators, Poste Mobile holds a share of **52.1%** (+0.4 pp)

1.7 Mobile subscribers by type of consumer





Difference vs. March 2015 (percentage points)

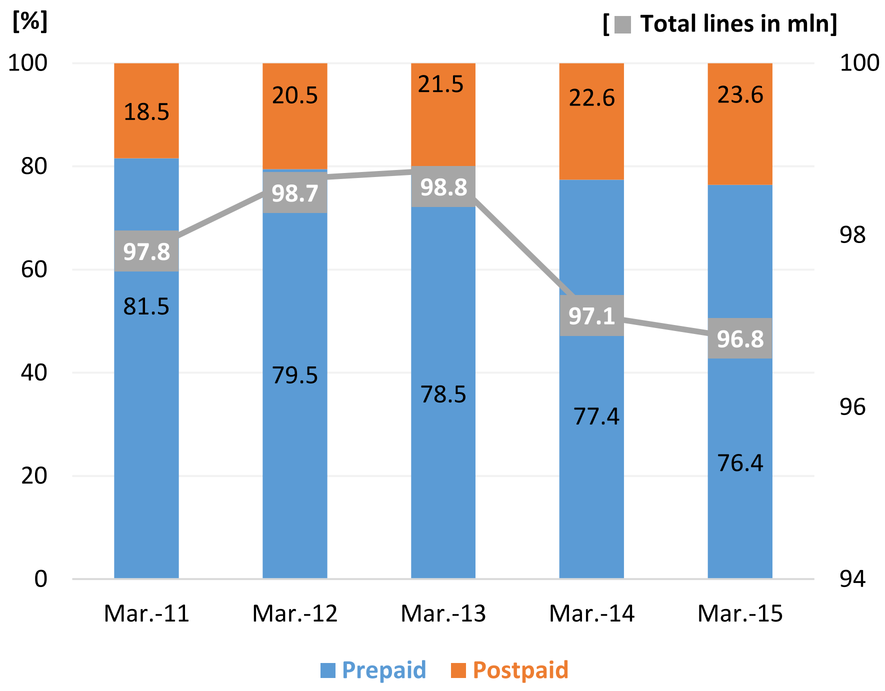
- Non residential SIMs (**19.5** million units at the end of March 2016) have increased on a yearly basis by **1.7** million units
- Residential SIMs (**77.3** million units at the end of March 2016) have decreased by **1.9** million units (YoY)

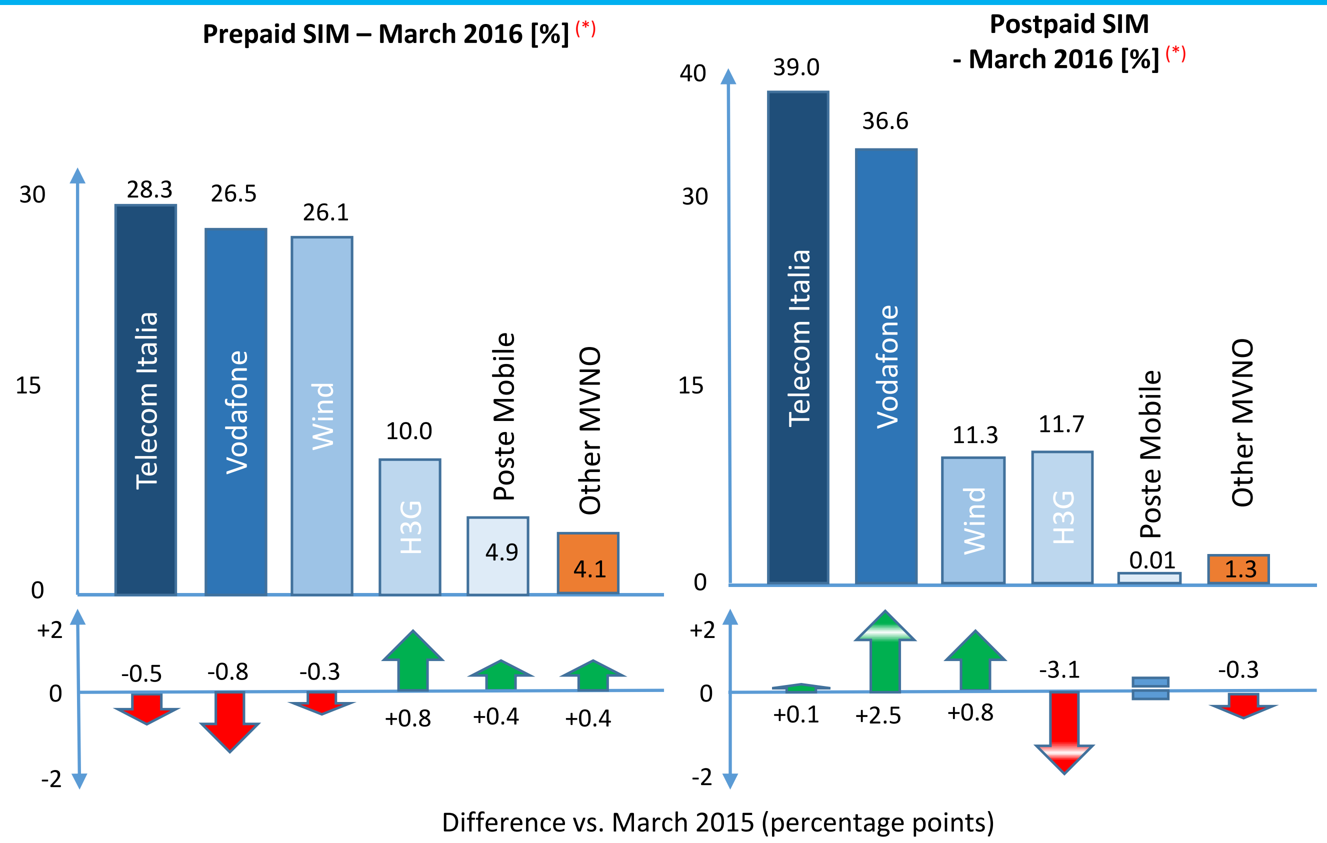
(*) Due to changes in firms' accounting methods, figures cannot be compared directly with those reported in previous issues

- In the residential segment, the market shares of the three main players are comparable; Vodafone's market share has reduced by **0.7** pp (YoY), while Poste Mobile's market share has increased by **0.4** pp
- In the business segment Telecom Italia confirmed its leadership with a market share of **44.8%**; Vodafone's market share has increased by **2.0** pp (YoY)

1.8 Mobile subscribers by type of contract

Total lines by contract type (*)





Difference vs. March 2015 (percentage points)

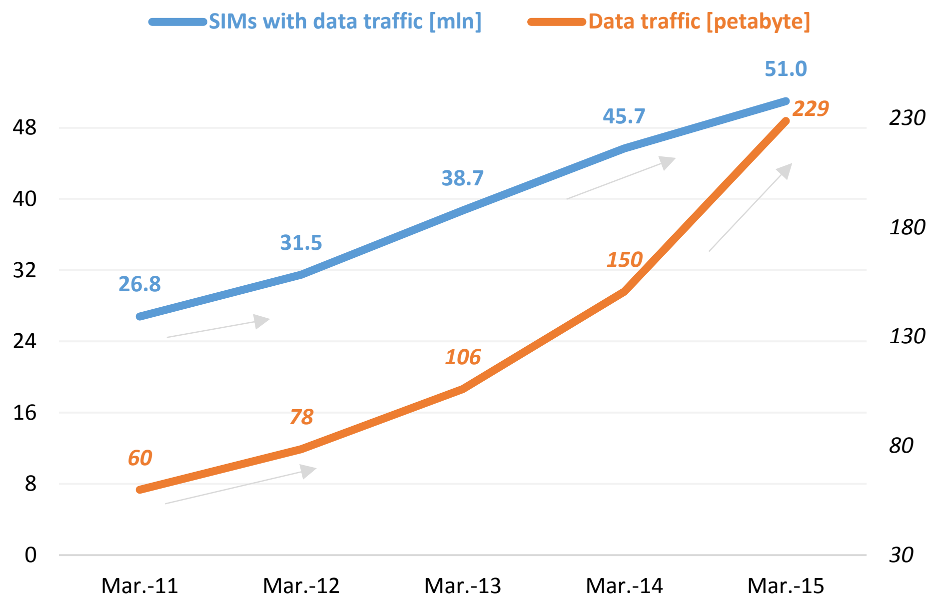
- At the end of March 2016, prepaid SIMs reached **74** million units (76.4% of total lines), with a decrease of **1.1** million units YoY
- At the end of March 2016, postpaid SIMs reached **22.8** million units (**23.6%** of total lines), with an increase of **0.9** million units YoY

- In the prepaid segment, H3G's (**+0.8** pp) and Poste Mobile's (**+0.4** pp) market shares have increased (YoY)
- Telecom Italia leads the postpaid segment with a share of **39%** (**+0.1** pp YoY)

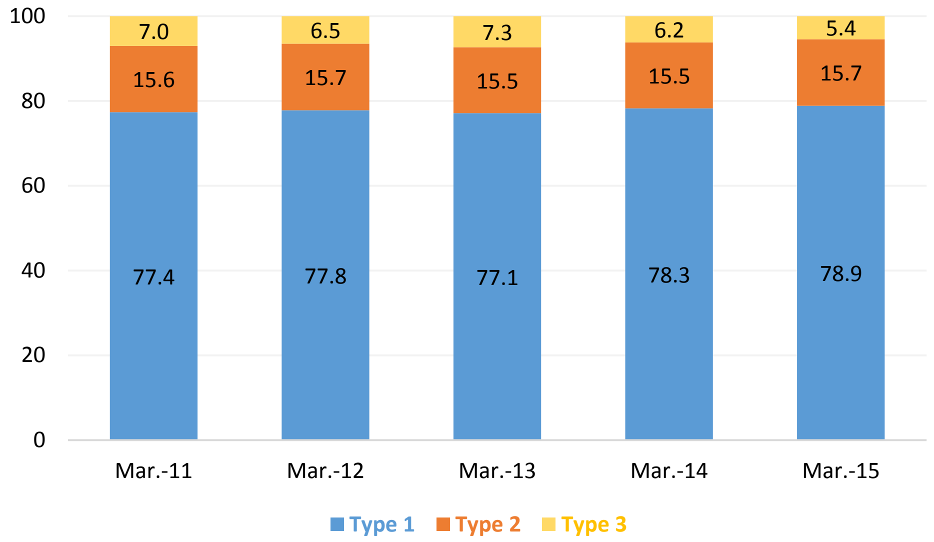
(*) Due to changes in firms' accounting methods, figures cannot be compared directly with those reported in previous issues

1.9 Mobile data traffic

Data traffic since the beginning of the year (*)



SIMs with data traffic by contract type [%] (*)

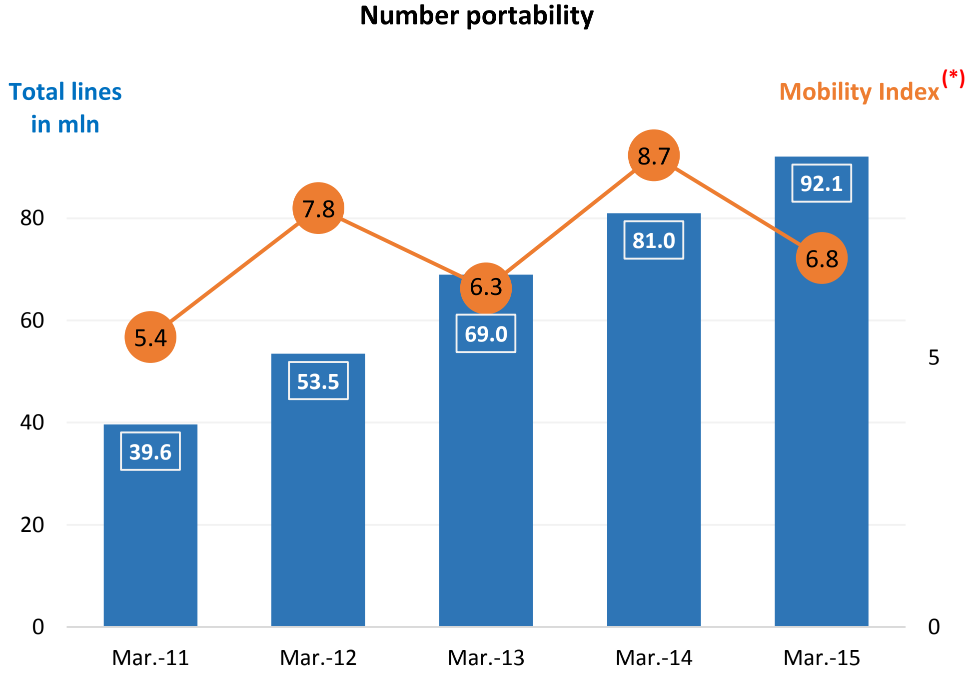


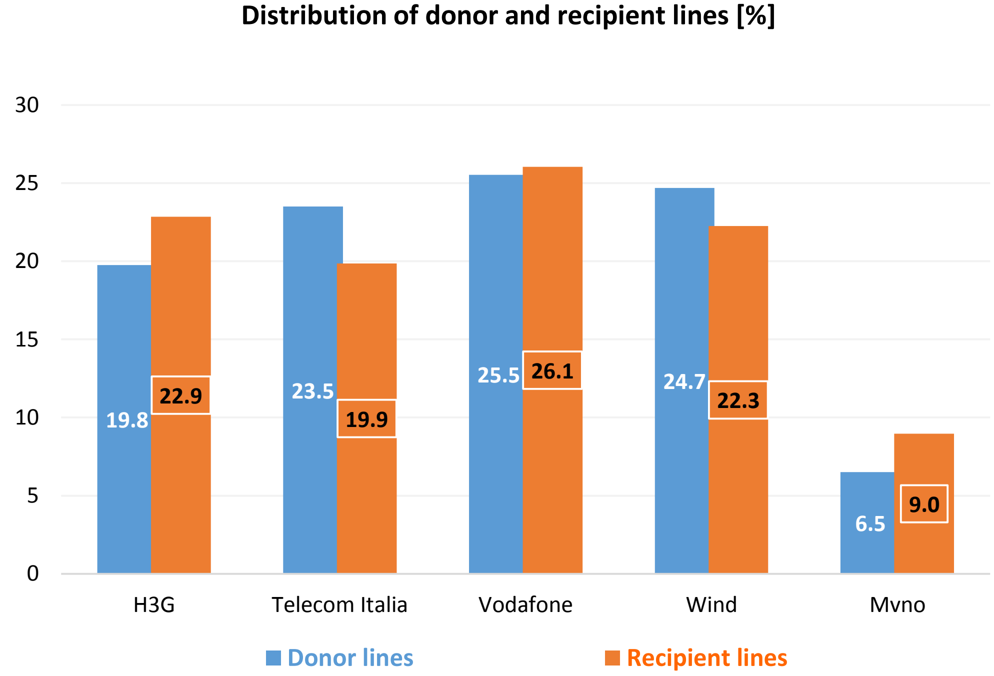
According to European Commission definitions (CoCom):
Type 1: "dedicated data subscriptions for add-on data package to a voice service requiring an additional subscription"
Type 2: "dedicated data subscriptions for stand-alone services"
Type 3: "actual usage of standard mobile subscriptions"

- SIMs used to exchange data have increased over the last year from **45.7** to **51** million units, with a growth rate of **11.6%**
- In March 2016, data traffic increased by **51.9%** as compared to March 2015
- In March 2016, the monthly data traffic consumption reached 1.5 Giga, with a **36%** growth YoY
- Since March 2011, the number of SIMs with data traffic has increased from **27.8%** to **55%** of the overall customer base

(*) Due to changes in firms' accounting methods, figures cannot be compared directly with those reported in previous issues

1.10 Mobile number portability



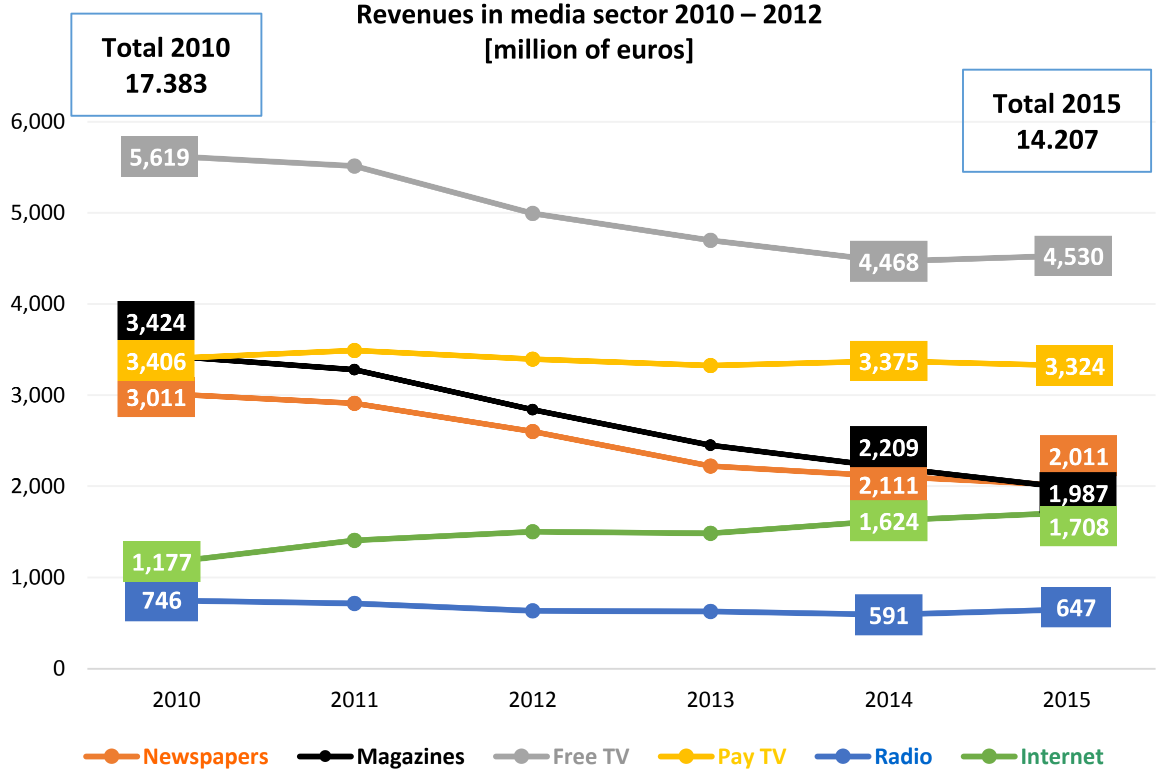


- At the end of March 2016, the total amount of mobile number portability operations reached a value of **92.1** million (cumulative figure)
- Mobile virtual operators, in line with the previous year, were able to gain **1.7** million net adds in the number of lines
- On a yearly basis, the net «donating-recipient» balance has improved for H3G (**+346** thousand lines), whereas it has remained relatively stable for Vodafone, and it has worsened for Wind (**-273** thousand lines) and Telecom Italia (**-405** thousand lines)
- At the and of March 2016, the «Mobility Index»(*) is in line with the trend observed over recent years

(*) – Ratio between (i) total donating lines plus total recipient lines since the beginning of the year, and (ii) the corresponding average costumer base

2.1 Revenues trend and composition

Revenues in media sector 2010 – 2012 [million of euros]



Source: AGCOM Annual Report 2016

Change in revenues [%]

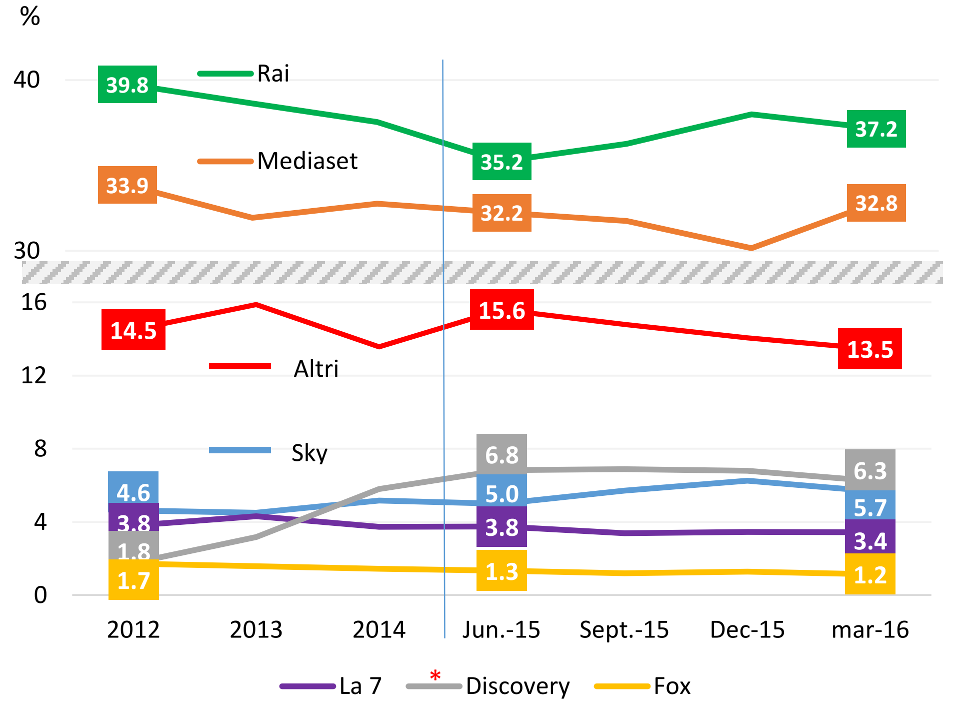
	Change 2010-2015	Change 2014-2015
Newspapers	-33.2%	-4.7%
Magazines	-42.0%	-10.1%
Publishing	**-37.9%**	**-7.40%**
Free TV	-19.4%	+1.4%
Pay TV	-2.4%	-1.5%
Radio	-13.3%	9.5%
Radio and TV	**-13.0%**	**+0.8%**
Total traditional media	***-22.9%***	***-2.0%***
Internet	+45.1%	+5.2%
Total media	***-18.3%***	***-1.2%***

Source: AGCOM Annual Report 2016

- The economic crisis has hit the newspapers market severely (**-33.2%** in revenues over the five year period)
- The downturn has been more contained for Free TV (about **-19.4%**), while Pay TV has experienced a revenues’ decrease of **2.4%**
- As compared to 2010, in 2015 Internet advertising figures experienced a revenues’ growth of **45.1%,** from 1,1177 to 1,708 million
- As compared to 2014, in 2015 an overall decrease of the media sector of around **1.2%** is estimated

2.2 Media: TV audience and newspapers' sales

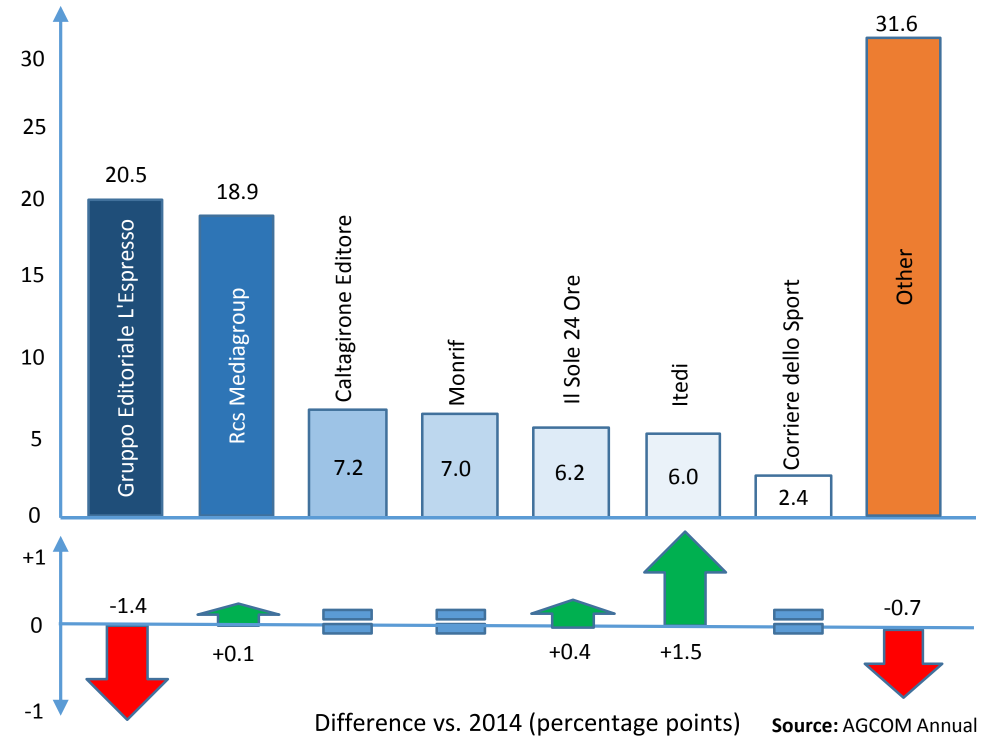
Audience on average day - (2012 – March 2016) [%]



* Including the audience of Switchover Media acquired by Discovery in 2013

Source: Auditel

Newspapers: market shares – 2015 [%]



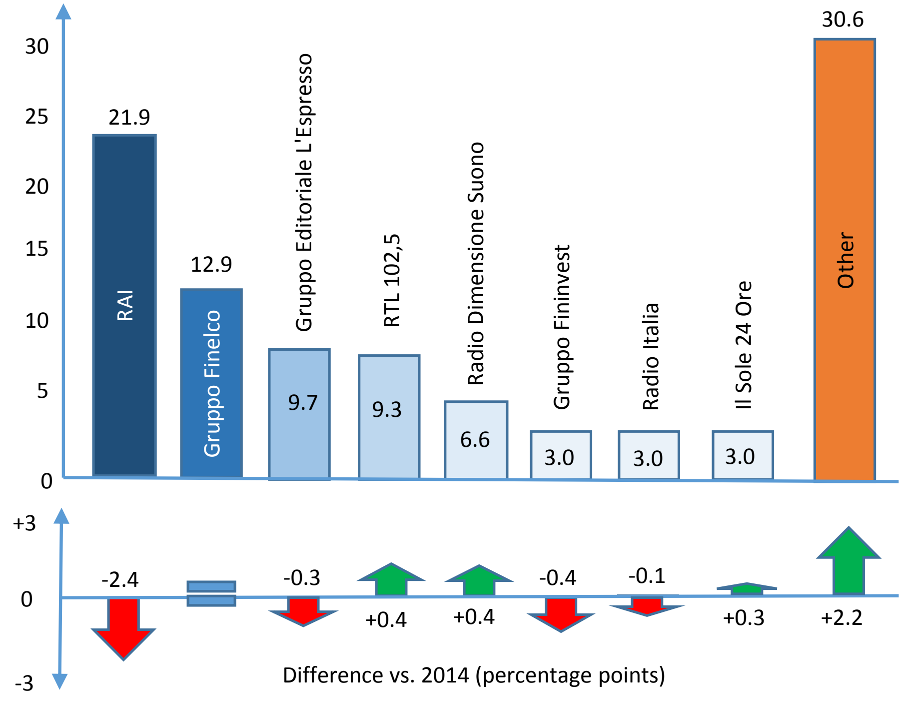
Source: AGCOM Annual Report 2016

- Over the 2012-2015 period, the audience of the two most important players (Rai and Mediaset) has decreased (by more than 3 pp, from **73.7%** to **70.0%**)
- The audience of smaller operators shows a progressively decreasing trend

- Gruppo Editoriale l'Espresso and Rcs Mediagroup currently share the leadership of the market with **20.5%** and **18.9%**, respectively
- Newspapers market's competitive structure is nearly stable as compared to the previous year

2.3 Media: radio market shares and Internet audience

Radio: market shares 2015 [%]



Source: AGCOM Annual Report 2016

Internet: active reach (March 2016)

Position March 2016	Change on previus year	Parent*	Active Reach** (%)	Average time spent on website by visitors (hh:mm)
1	(0)	Google	95.5	05:52
2	(0)	Facebook***	82.9	23:11
3	(0)	Microsoft	70.3	01:17
4	(0)	Banzai	61.6	00:23
5	(+4)	Amazon	60.4	00:50
6	(+1)	ItaliaOnline	59.5	01:23
7	(-1)	Yahoo	51.8	00:39
8	(+2)	eBay	51.3	00:49
9	(-1)	Wikimedia Foundation	50.7	00:15
10	(+1)	Gruppo Espresso	47.1	00:32
11	(+2)	Triboo	44.2	00:11
12	(0)	RCS MediaGroup	44.1	00:25
13	(+1)	Mediaset	41.6	00:26
14	(+5)	Caltagirone Editore	34.7	00:15
15	(+1)	Telecom Italia	33.7	00:38

***Parent:** name of the website's parent entity. Parent provides the Parent-level information for a Brand or Channel

***** Whatsapp**, since december 2015, was included in the *facebook* brand

****Active Reach (%):** is the percentage of all active unique persons who visited the site or used the application.

Source: Audiweb (March 2015 – March 2016)

- RAI (public service TV), despite a YoY fall by **2.4 pp**, preserve its position of leader of the market
- Gruppo Finelco (including Radio 105, Radio Montecarlo and Virgin Radio) has a market share of **12.9%**, stable as compared to the previous year

- Google remains the leader with about **95.5%** of the active reach
- The most popular portals show the higher active reach
- In March 2016, about 28.3 mln people used the Internet, up by **2** mln people as compared to March 2015

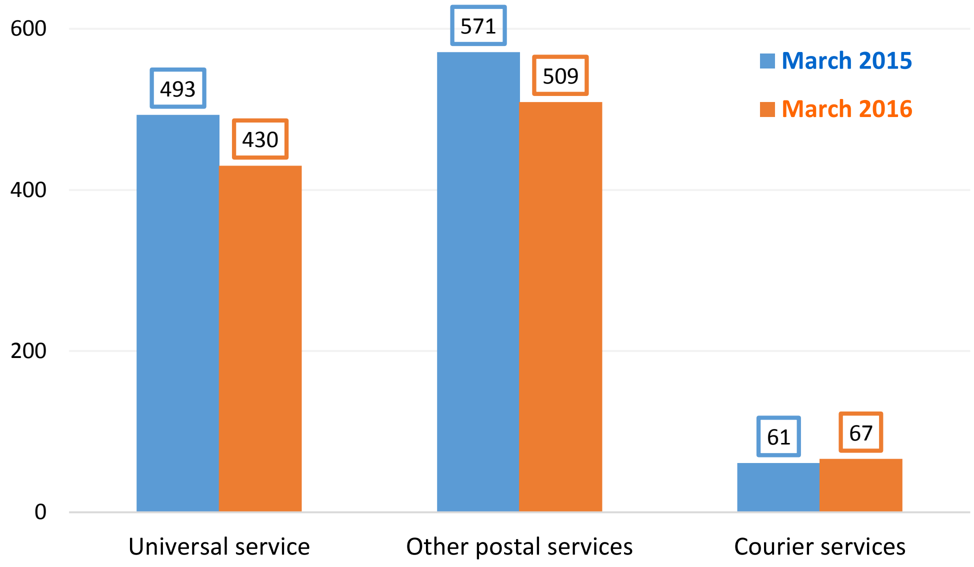
Revenues since the beginning of the year [million of euros] – March 2016

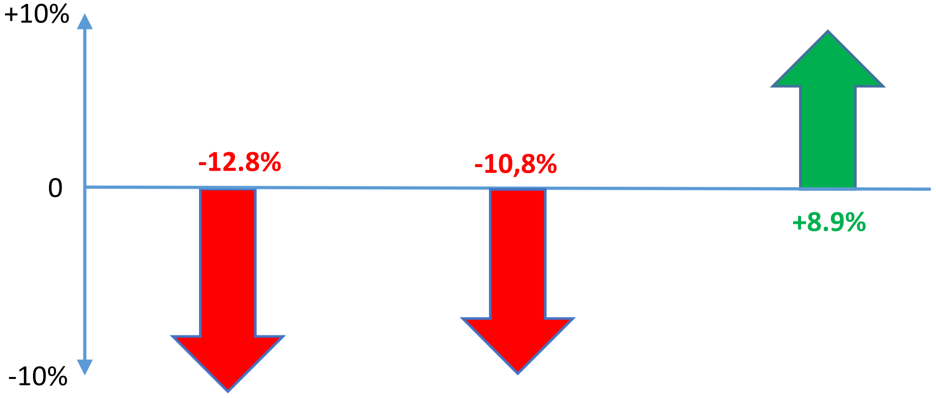
Changes in revenues % - (March 2015 – March 2016)

- At the end of March 2016, overall revenues reached **1,529** million of euros, up by **1.0%** compared with the same period in 2015
- YoY, postal services' market has shown a decline in revenues (**5.1%**), whereas the courier services' market has shown a growth in revenues (**7.5%**)
- The revenues of courier services' market (**790 mln**) are higher than those of the postal services' market (**739 mln**)

Note: The figures relate to the following companies: Bartolini , DHL Express, Federal Express Europe, Nexive, Poste Italiane, SDA, TNT Global Express, UPS

Volumes since the beginning of the year [million of units] - March 2016



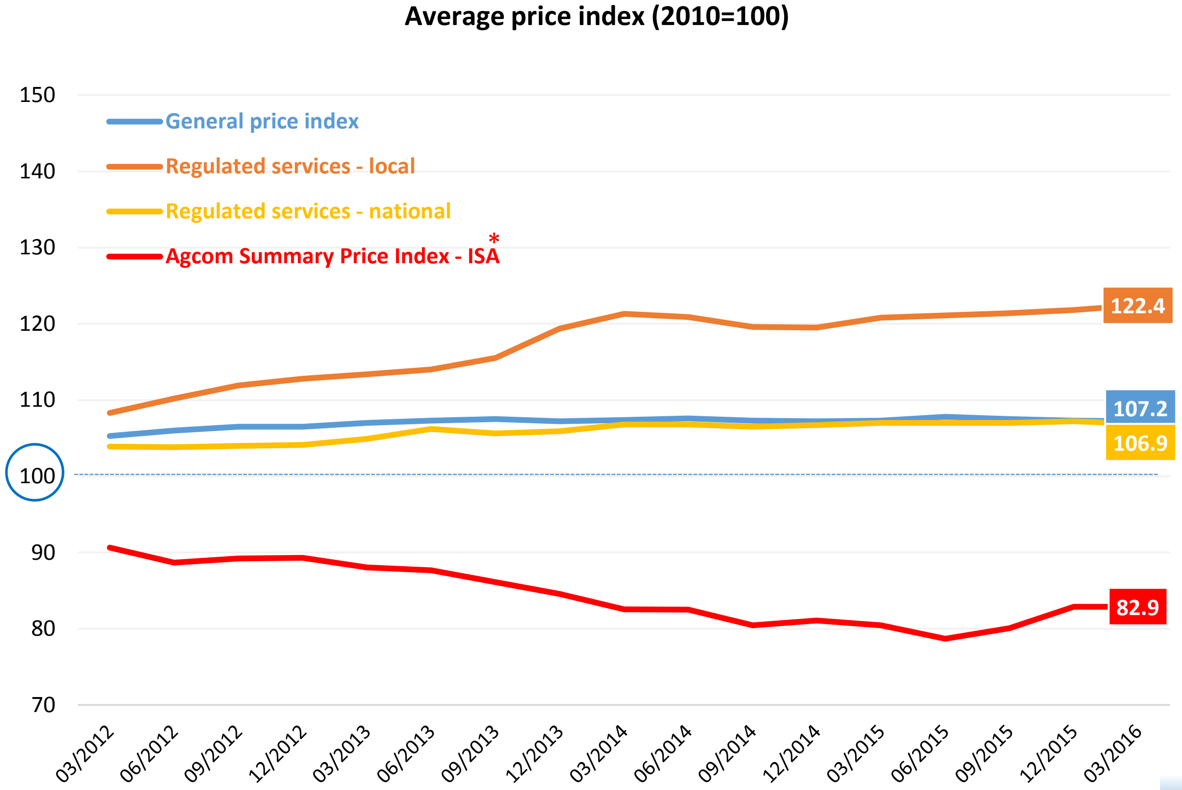


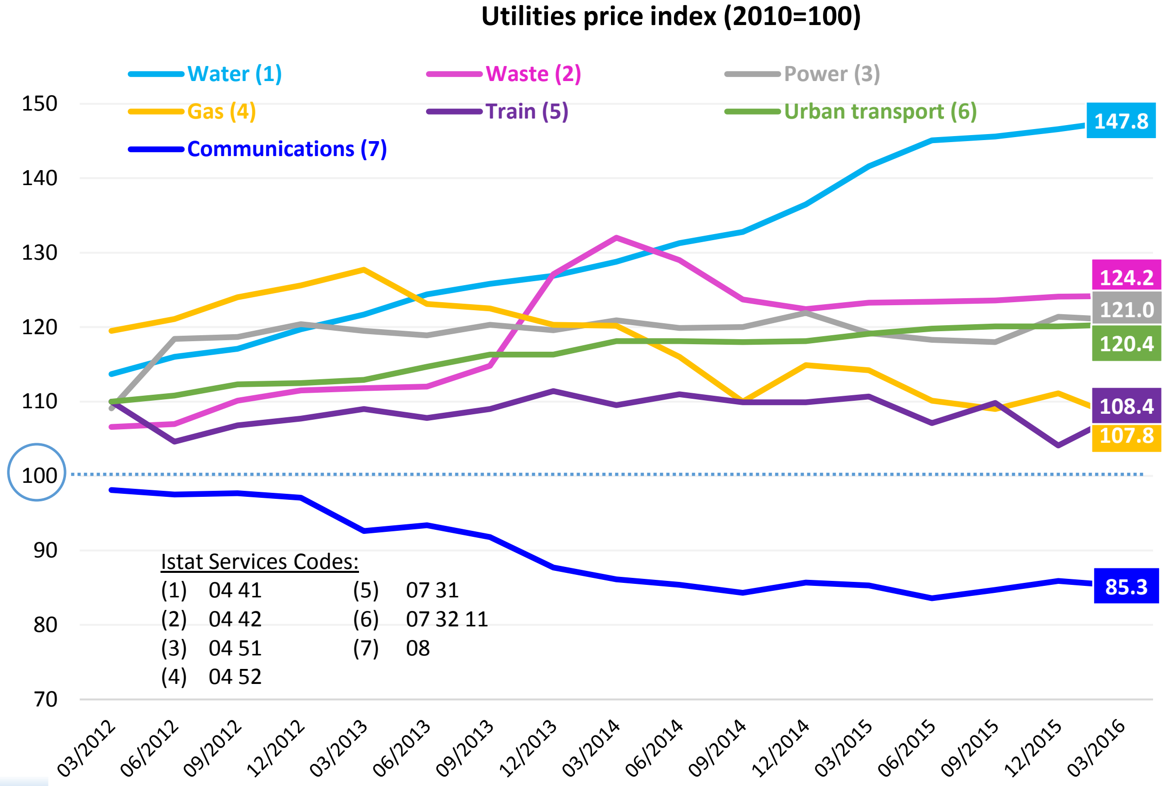
Changes in volumes % - (March 2015 – March 2016)

- In March 2016, volumes of universal services amount to **430 million** units, showing a contraction of 12.8% YoY
- Other postal services have shown a 10.8% decrease in volumes YoY
- As for the courier services segment (**67 million** units from the beginning of the year), volumes have increased by about 8.9% YoY

Note: The figures relate to the following companies: Bartolini , DHL Express, Federal Express Europe, Nexive, Poste Italiane, SDA, TNT Global Express, UPS

4.1 Harmonised consumer price index and other utilities price indices

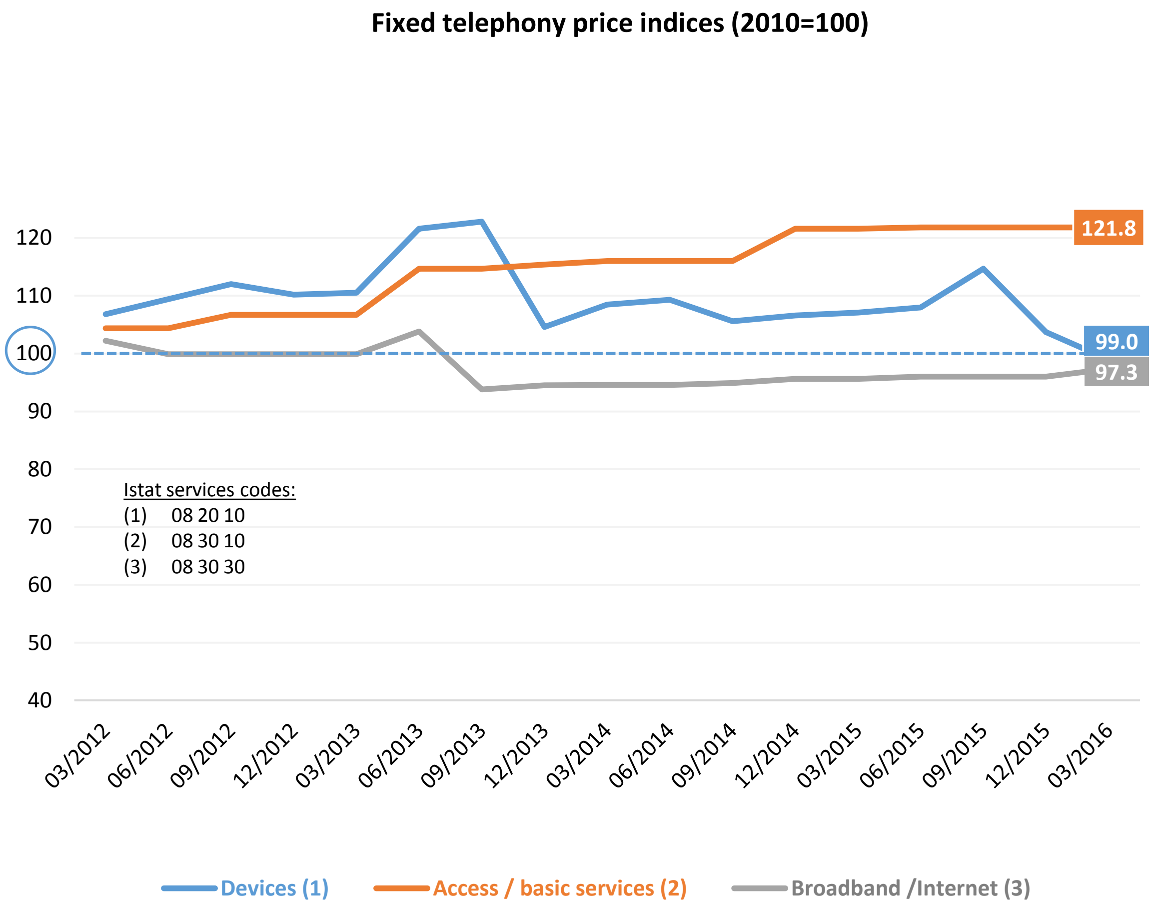


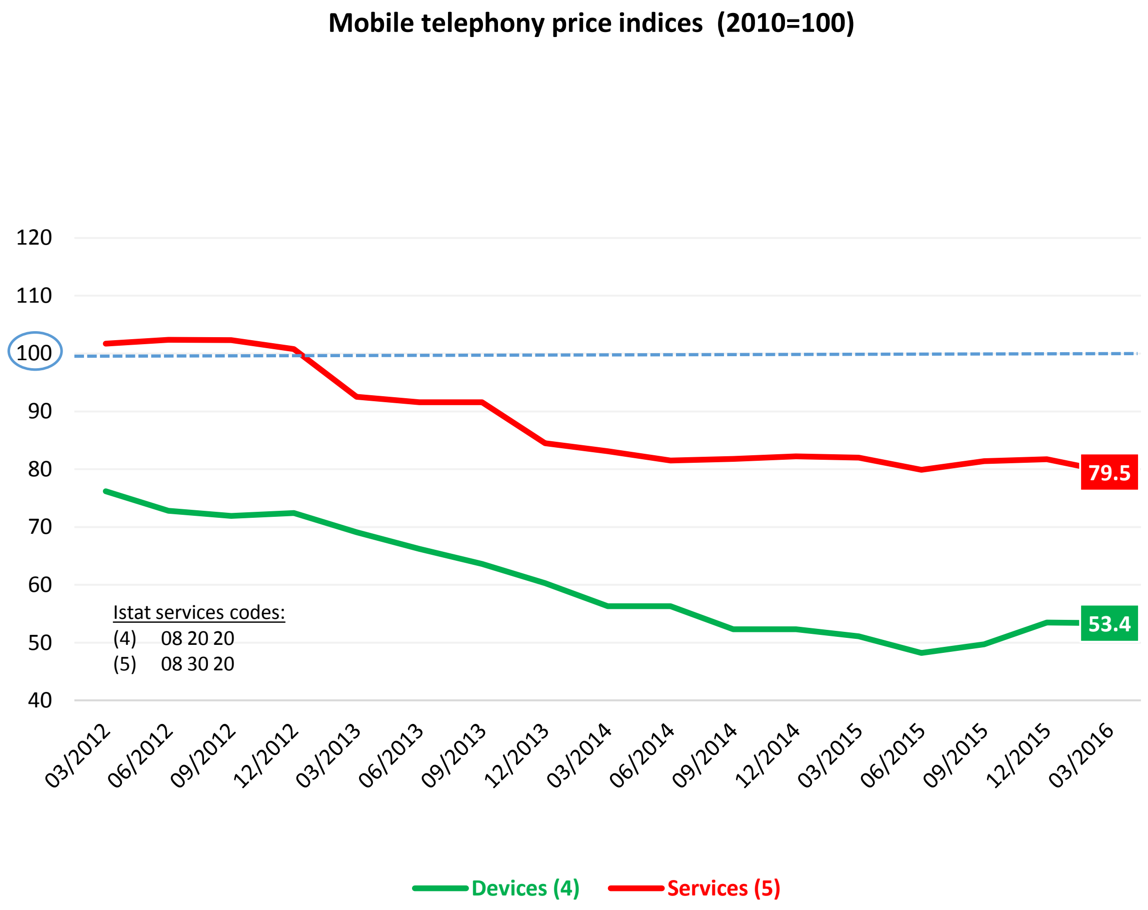


- The ISA price index has decreased at a faster pace than other price indices
- The growth rate of the prices of services regulated at the national level is comparable to the general price index, whereas the prices of services regulated at the local level show a steeper growth
- Among regulated services, communications price index is the only one showing a decrease since 2012, but recently the trend reversed and shows a slight growth

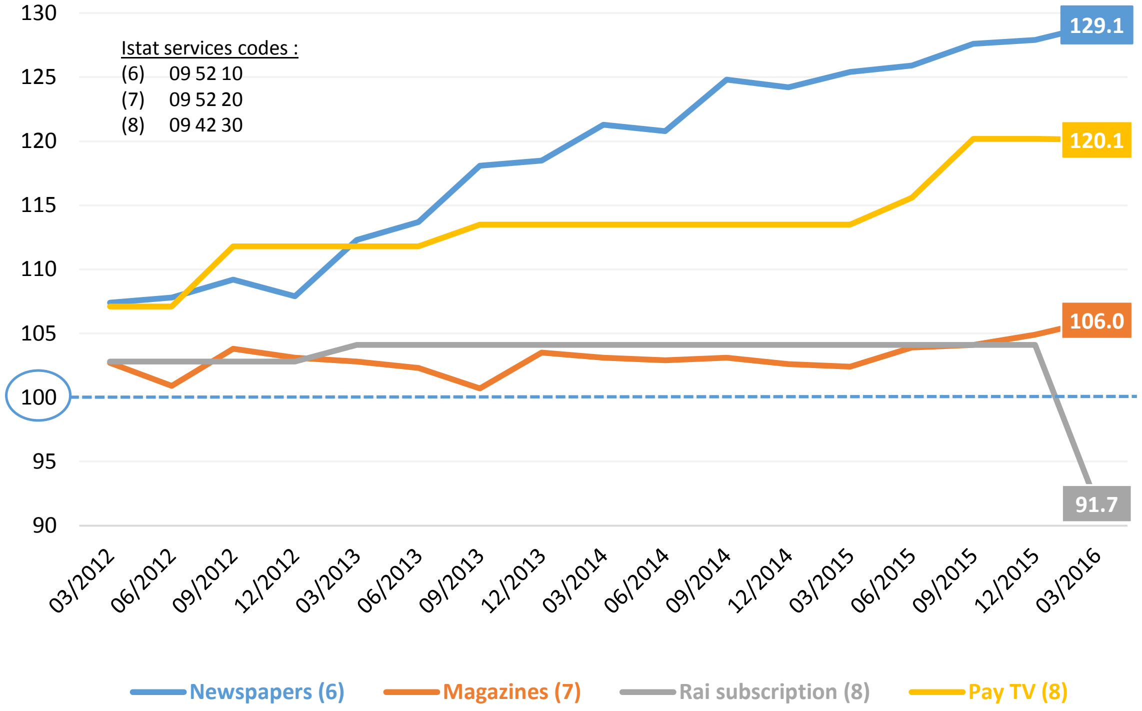
* The ISA («Indice Sintetico Agcom») price index includes postal services, services and devices for fixed and mobile telephony, public TV license fee, pay TV, newspapers and magazines. In compliance with the procedure adopted by ISTAT for the indices of consumer prices, the aggregate communications index is calculated by the "method of chaining", by which the system of weights assigned to the items is updated yearly.

4.2 Mobile and fixed telephony price indices

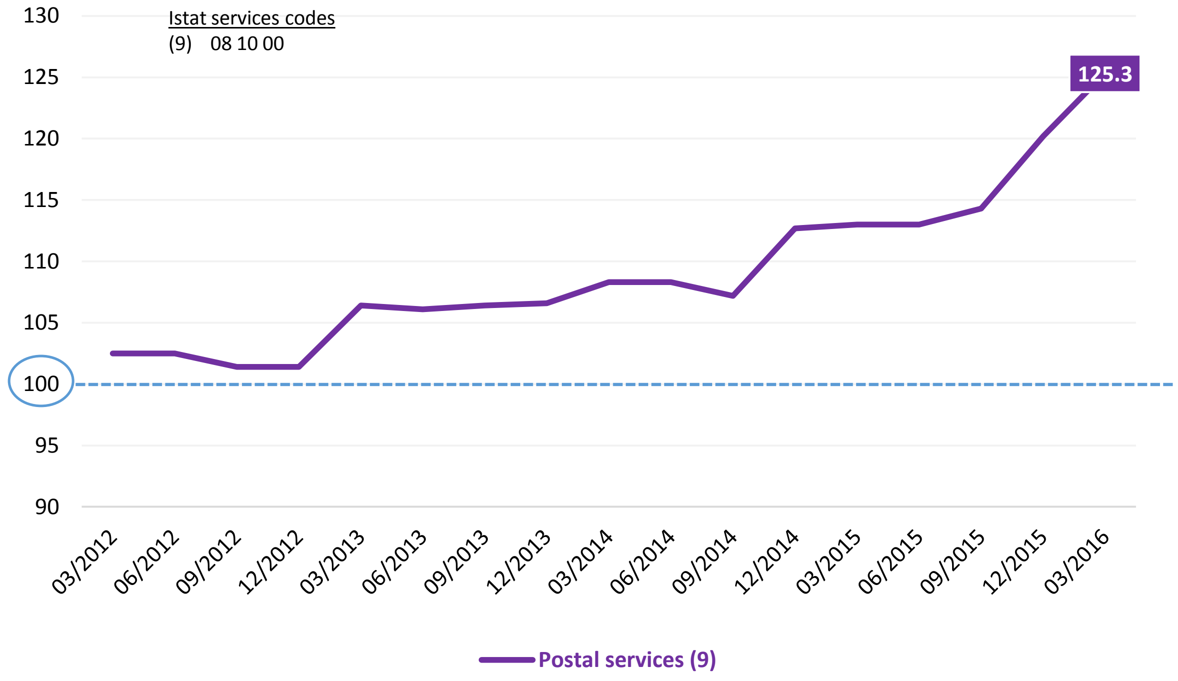




Newspapers, magazines, Tv price indices (2010=100)

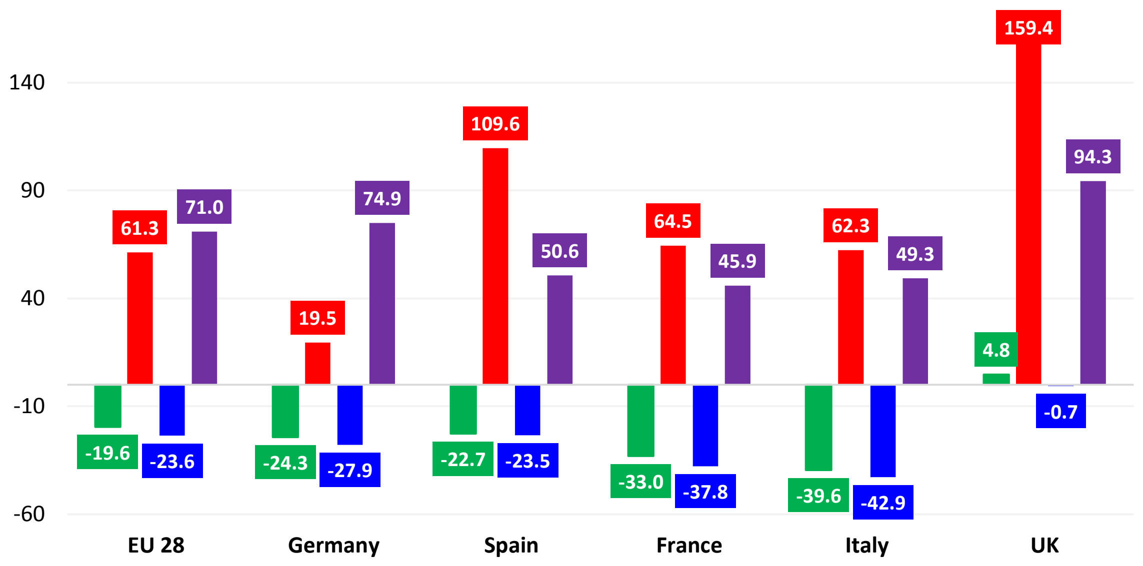


Postal services price index (2010=100)

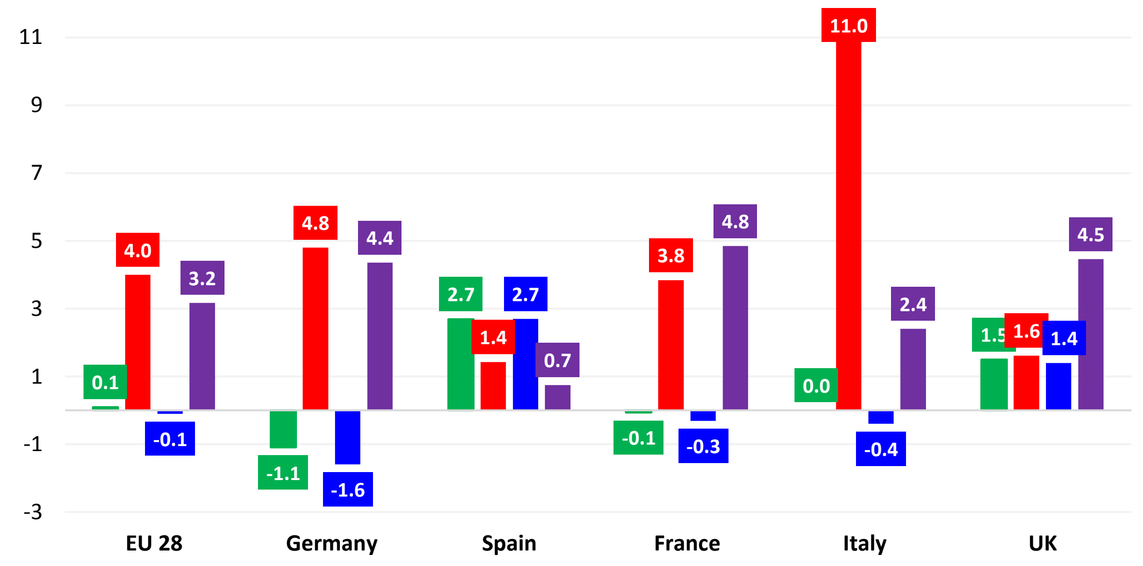


4.4 International benchmark(*)

Change in prices: March 2000 - March 2016 (%)



Change in prices: March 2015 – March 2016 (%)



Communications | Postal services | TLC - services and equipments | Newspapers and periodicals

- Since March 2000, in Italy the communications price index has decreased at a faster pace than the EU average: **-39.6** and **-19.6** pp respectively
- Since March 2000, the italian inflation rate of postal services (**+62.3** pp) has increased slightly more than EU average increase (**+61.3** pp); Germany showed a lower increase (**+19.5** pp)
- Over the previous year, in Italy the postal services price index has increased at a faster pace than the EU average, while italian prices for telecommunication services and equipments have decreased slightly more than the EU average
- Since 2000, in Italy the newspapers and periodicals price index has increased (**+49.3** pp) less than the EU average (**+71.0** pp)

(*) From the 29th of January 2016, the reference year for the Consumer Price Index is 2015

AUTORITÁ PER LE GARANZIE NELLE COMUNICAZIONI

Servizio Economico Statistico

ses@agcom.it

Roma

Via Isonzo 21/b - 00198

Napoli

Centro Direzionale Isola B5 - 80143