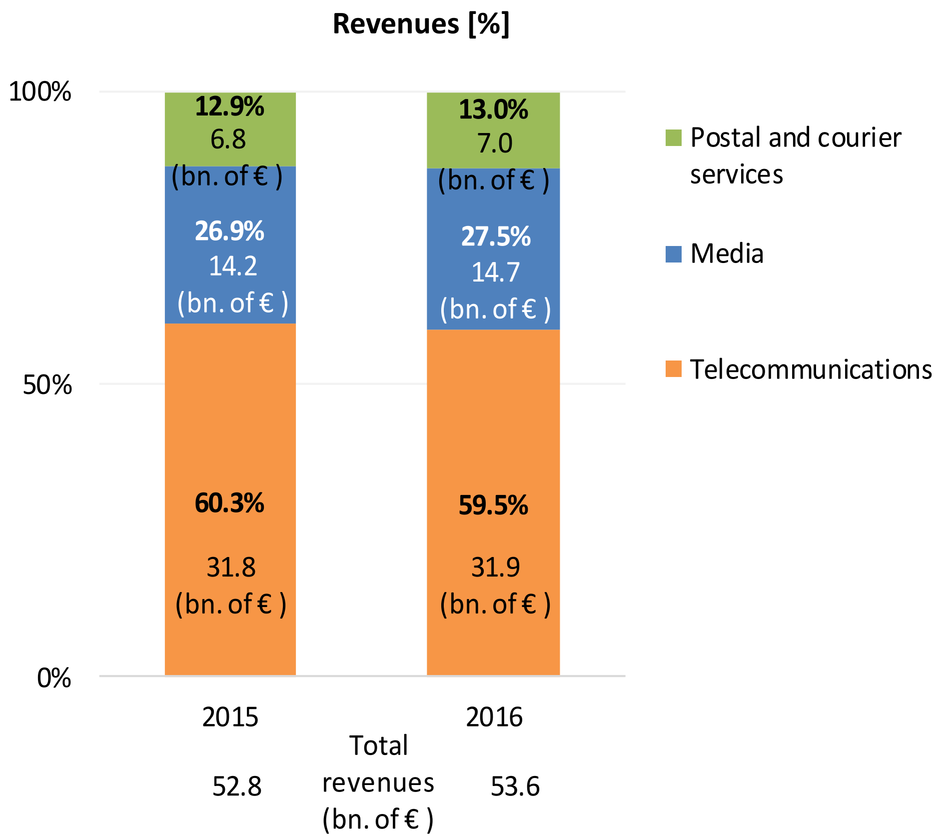
COMMUNICATION MARKETS MONITORING SYSTEM

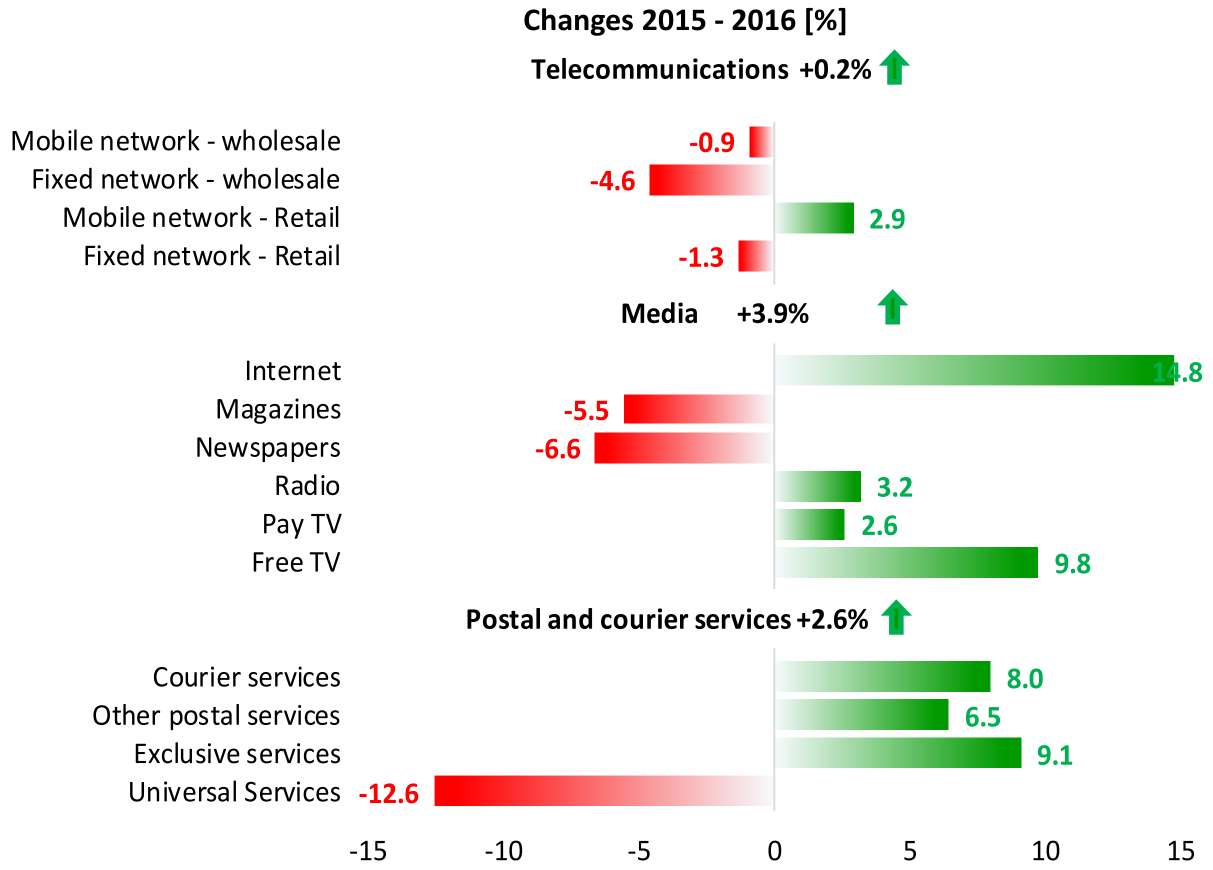
no. 2/2017

Index

The following figures are based on AGCOM's elaborations on firms' data and other sources (updated to March 2017)

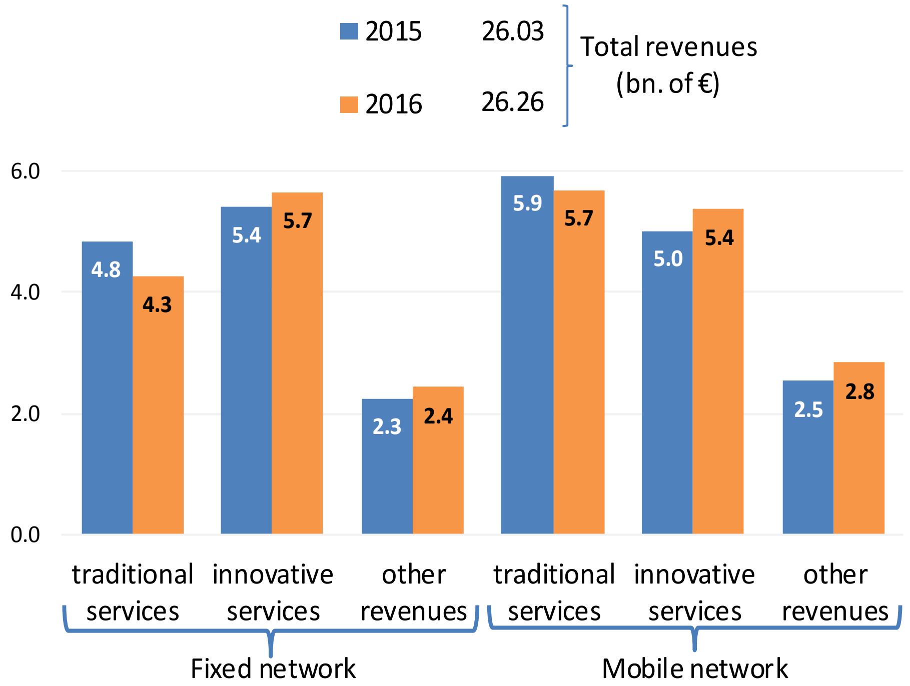
1.1 - Communications sector by macro area



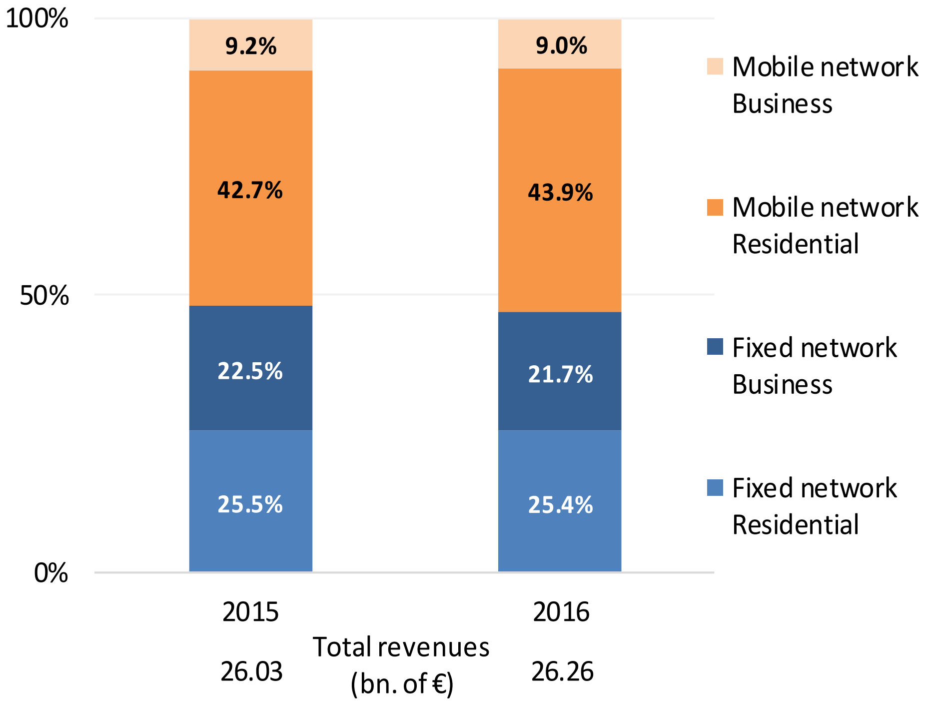


- In 2016, the total revenue was approximately € **53.6** billion, that corresponds to **3.2%** of the Italian gross domestic product, with an YoY increase of **1.5%**
- The size of the Telecommunications sector was in the order of **60%** of total revenues, followed by Media (**27.5%**) and by Postal and courier services (**13**%)
- In the Telecommunication sector, retail mobile telephony services have shown a growth of **2.9%**, whereas the highest loss (**-4.6%**) was observed for wholesale landline services
- In the Media sector, Internet and Free TV have increased respectively by **+14.8%** and **+9.8%** (YoY), mainly driven by an upturn of the advertising resources, followed by Pay TV (**+2,6%**) and Radio (**+3,2%**), whereas the decline of print media has continued (newspapers **-6.6%**, magazines **-5.5%**)
- In the Postal and courier services sector, revenues from innovative services have increased by **7.8%** (YoY)

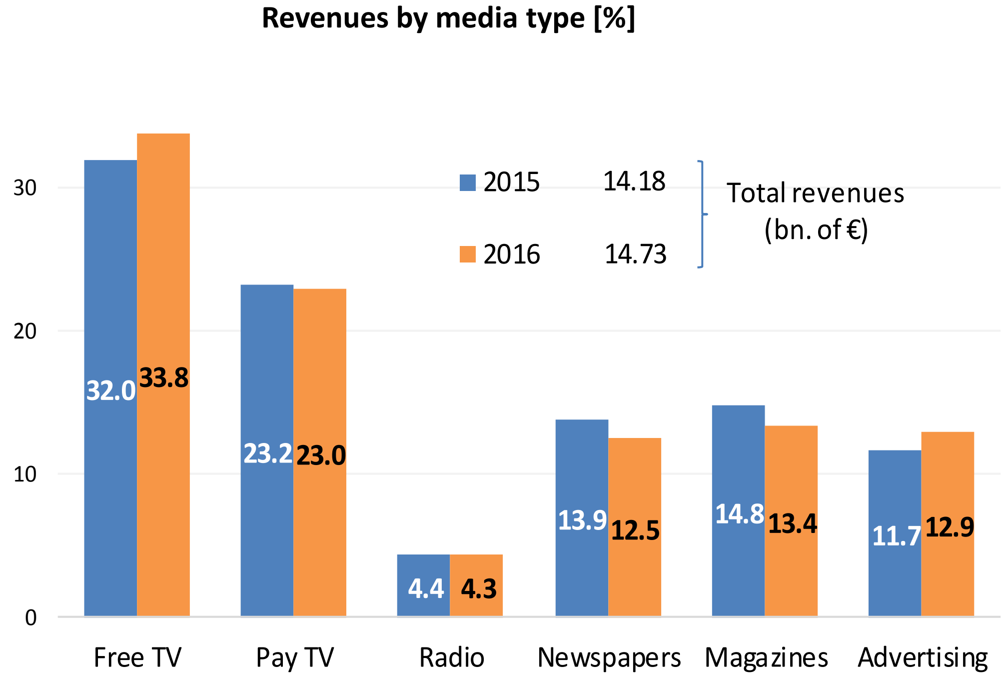
Final expenditure of residential and business users [€ billions]

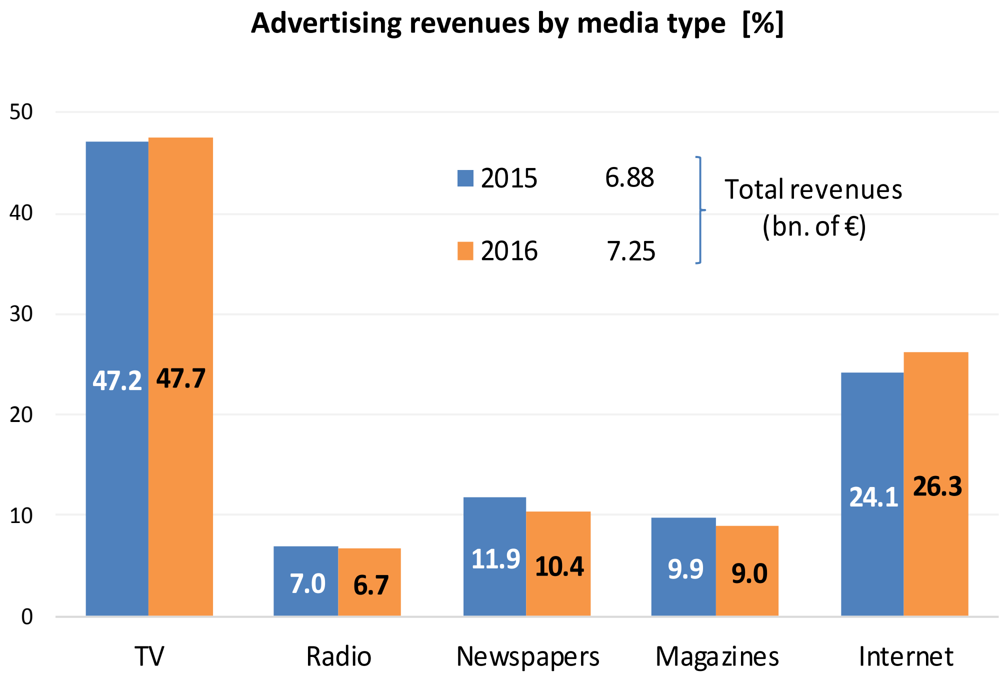


Final expenditure of residential and business users [%]



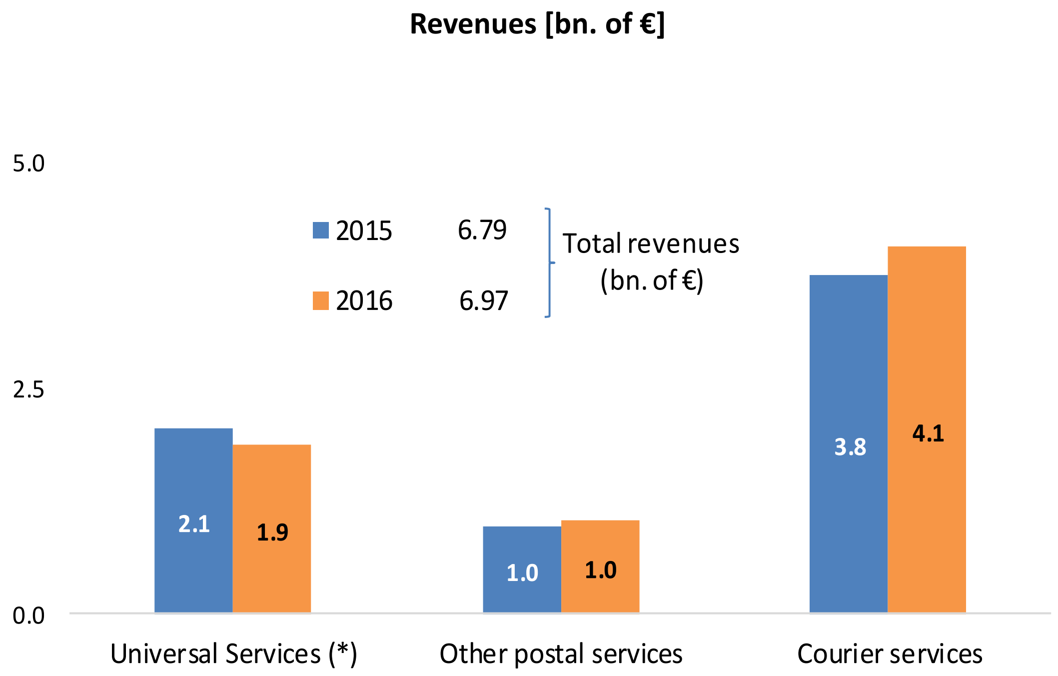
- For the first time since 2006, revenues from retail services (residential and business users) have returned to positive growth
- In 2016, innovative services revenues surpassed those of traditional services (from **9.97** billion of € in 2015 to **11.03** billion of di € in 2016)
- Residential customers represent slightly less than **70%** of total revenues
- Approximately, two-thirds of the revenues from business customer derive from the sale of fixed network services

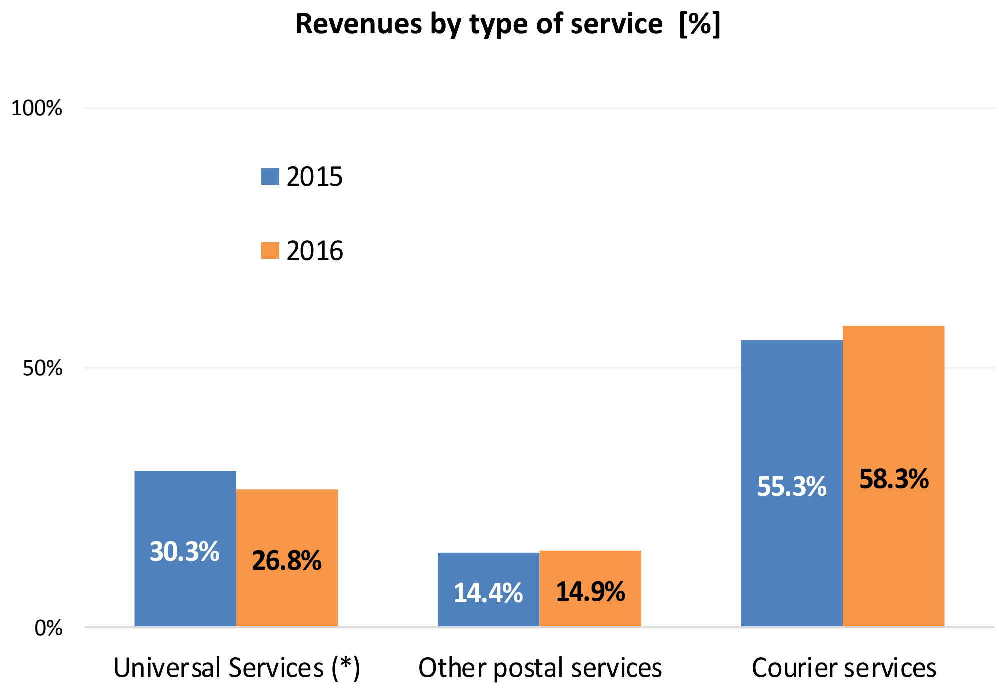




- In 2016, Media sector total revenues was **14.7** billion of €, with a YoY increase of **3.9%**
- TV sector (Free TV + Pay TV) revenues reached **57%** of total media revenues, with a growth of **6.8%** YoY
- YoY, Free TV sector has shown an increase of **9.8%**, thanks to the recovery of advertising and the increase of public television fee
- Revenues in the press sector (newspapers and magazines) decreased by **6%** YoY, now accounting for **25%** of total media revenues
- In the media sector, advertising is the main revenue stream
- **47.7%** of total advertising concerns TV (**+6.5%** compared to 2015)
- Online advertising account for **26%** of total media revenues, to around **2** billion of €

1.4 - Postal and courier services

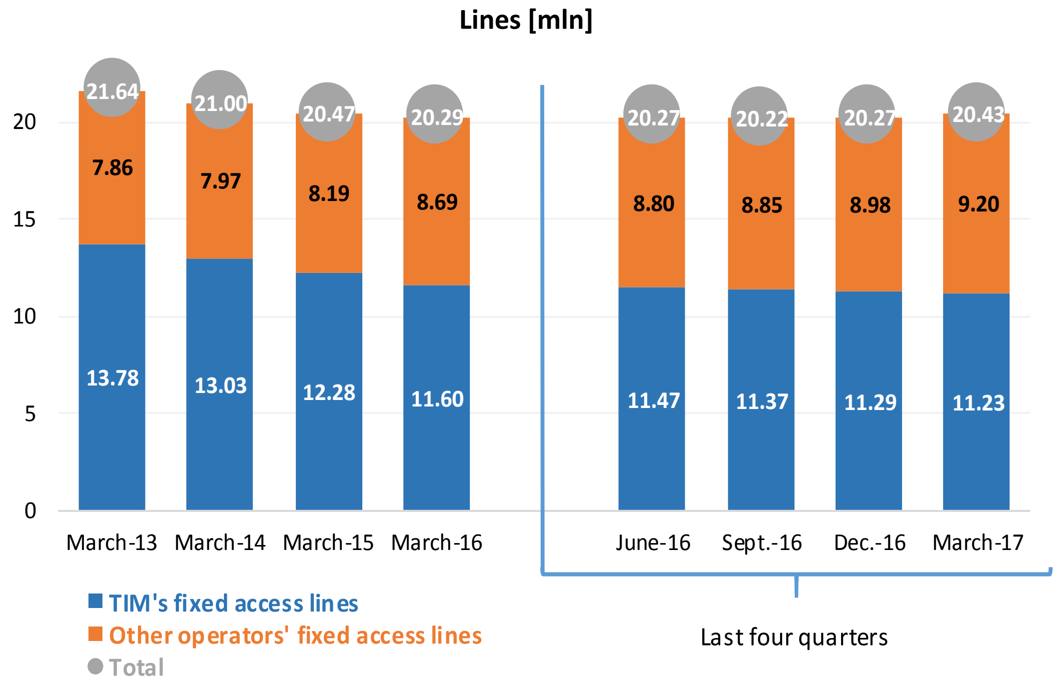




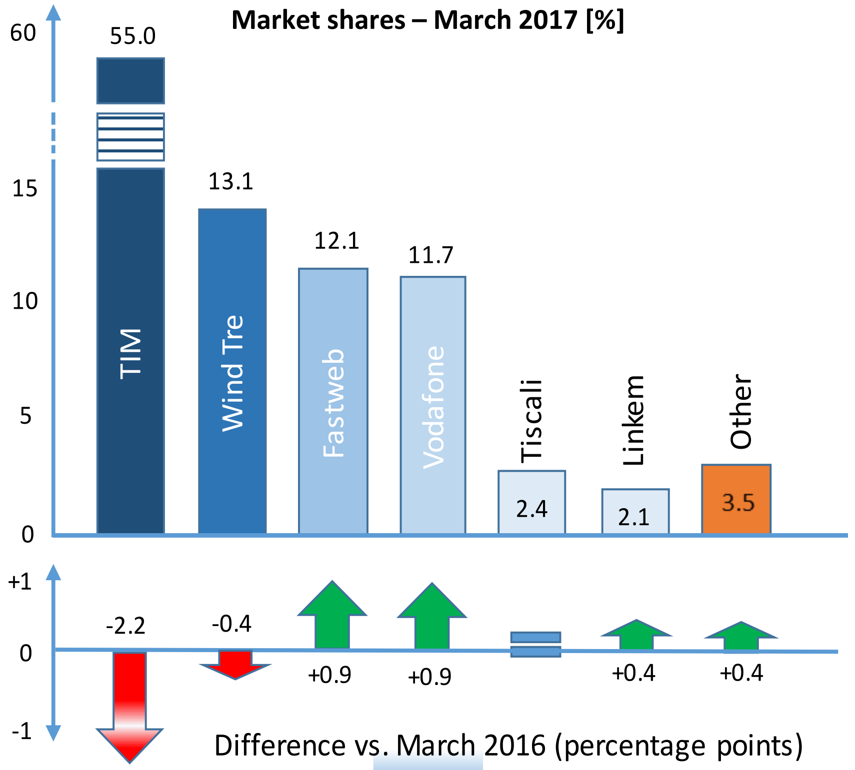
(*) – covers services offered on an exclusive basis

- In 2016, Postal and courier services total revenues was **7** billion of €, with a YoY increase of **2.6%**
- Revenues generated from the provision of Universal Service obbligations have declined, YoY, by **12.6%**
- Revenues generated from the sale of other postal services have increased by **6.5%**
- Revenues generated from courier services have increased by **8%**

2.1 Total fixed access lines



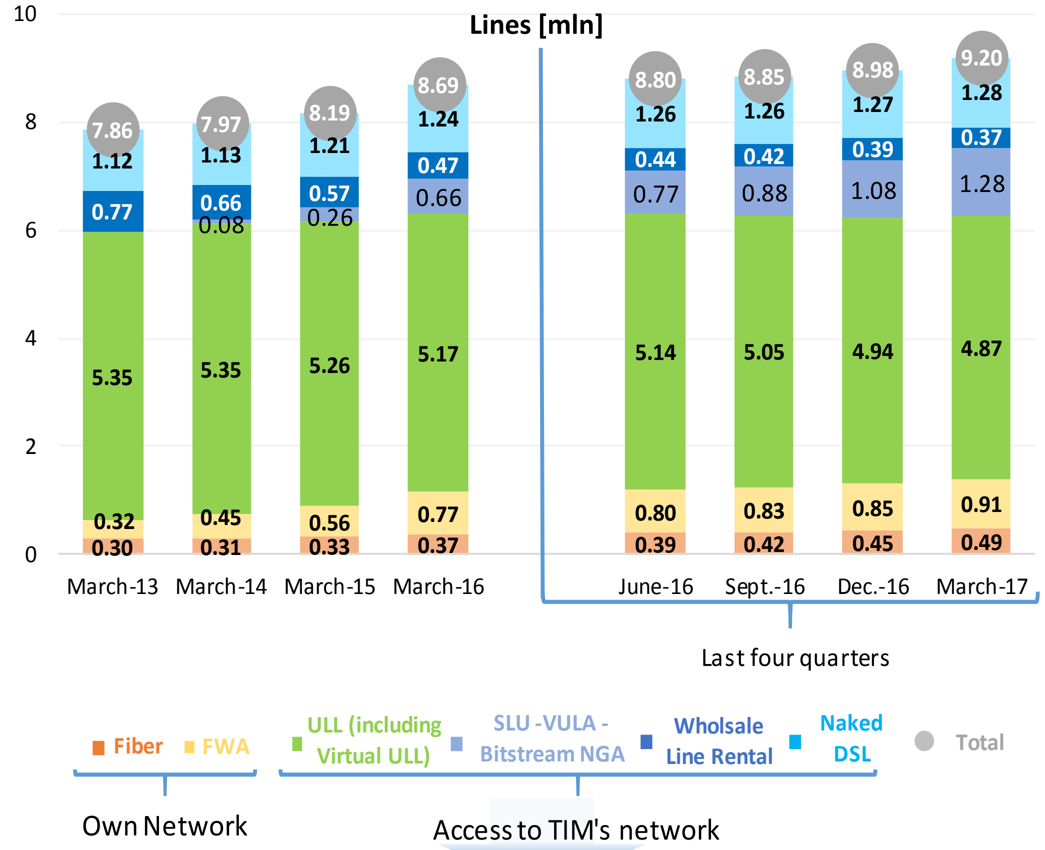
Note: access lines include TIM's fixed access lines, fully unbundled, SLU, VULA, DSL naked, WLR, fiber and FWA lines

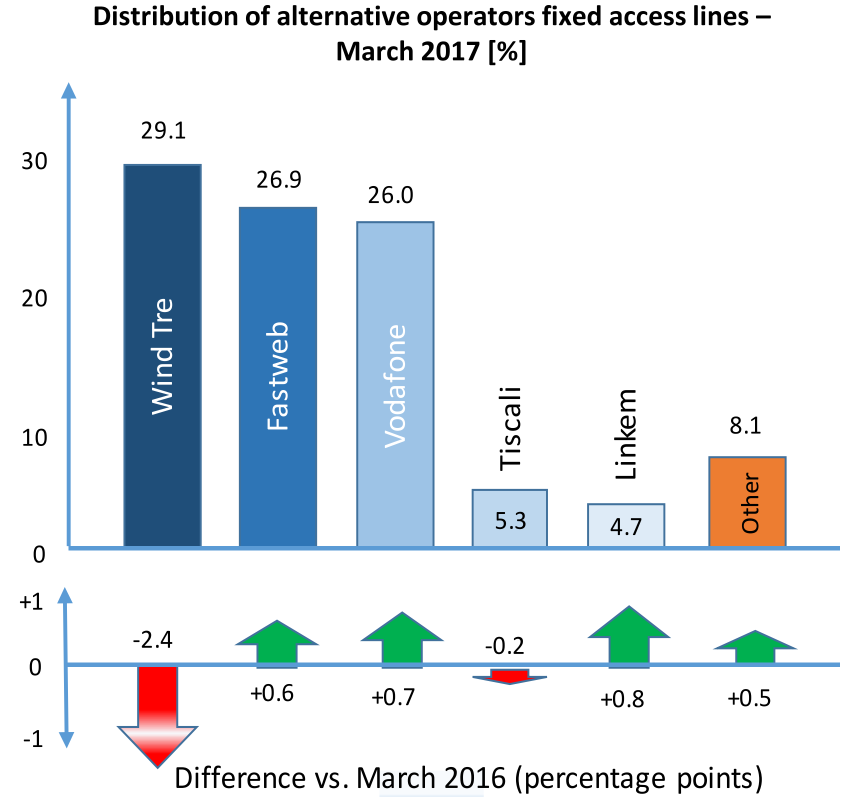


- On a quarterly basis, total access lines have increased by **160** thousand units
- While TIM's access lines have decreased by **60** thousand units, other operators' access lines have increased by about **220** thousand units

- TIM's market share dropped to **55%** at the end of March 2017 (as compared to **57.2%** at the end of March 2016)
- Fastweb's market share has reached **12.1**, with a growth of **0.9** pp (YoY); similarly, Vodafone's market share has reached **11.7%** with a growth of **0.9** pp
- Other operators have, as a whole, increased their market share; the increase has been more evident for Fixed Wireless Access (FWA) operators, such as Linkem

2.2 Alternative operators' fixed access lines

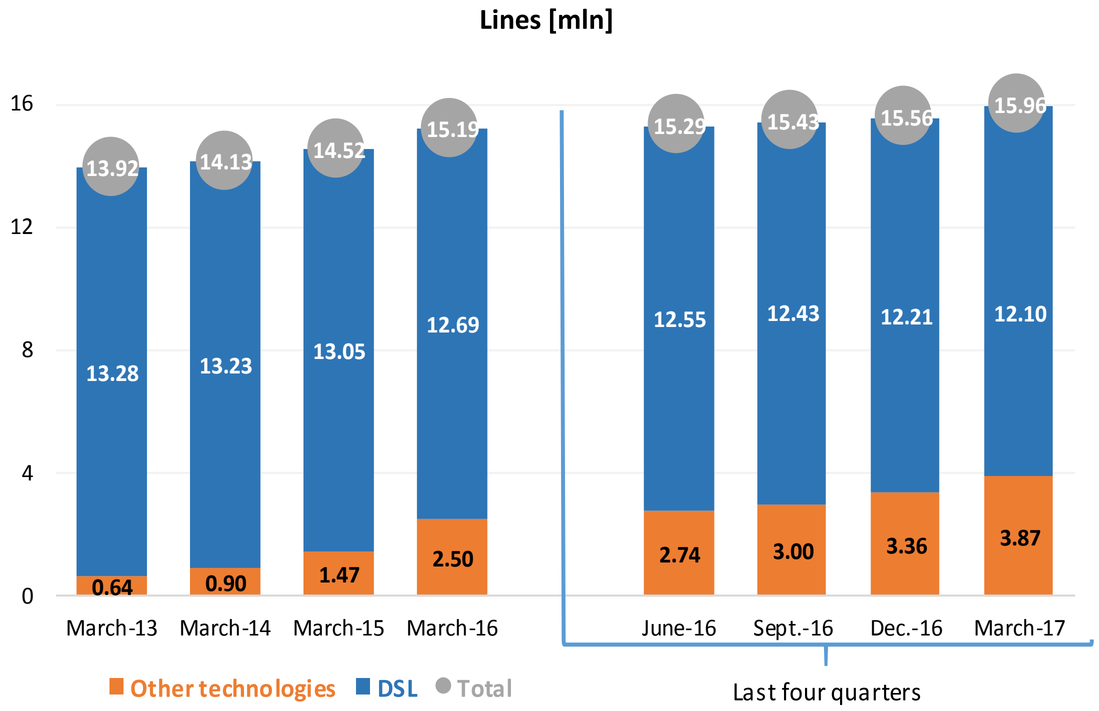


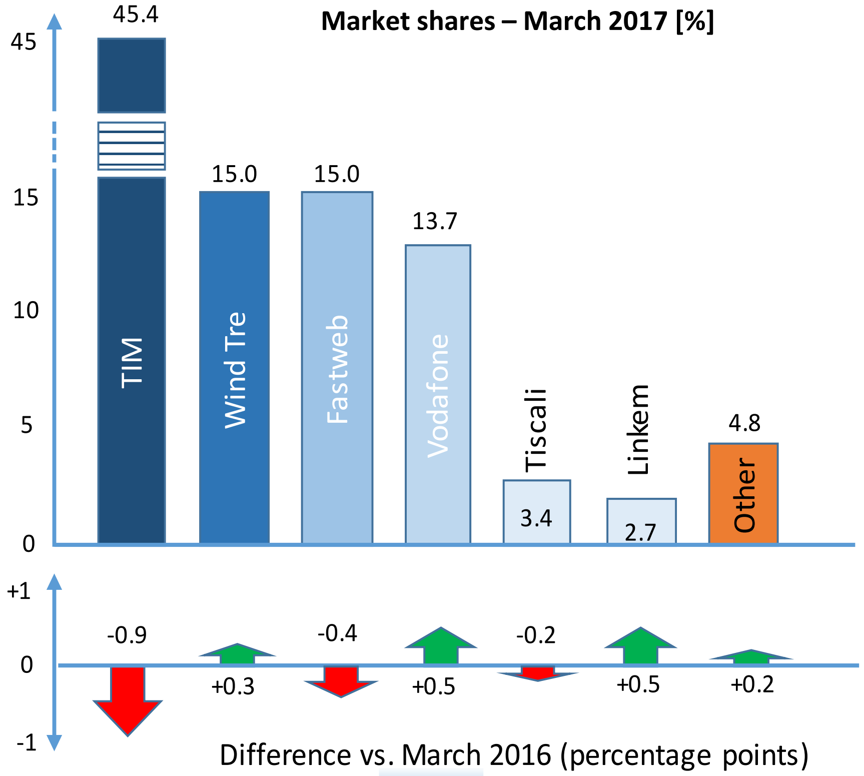


- Access lines provided by alternative operators have increased by **510** thousand units (YoY)
- A substantial part of this growth (**620** thousand lines) is essentially due to the new NGA services offered by TIM (SLU and VULA) that compensate for the reduction in ULL and WLR lines (**-410** thousand lines)
- FWA lines have increased by **130** thousand units (YoY), while fiber lines have increased by **120** thousand units

- Wind Tre is still the first alternative operator, but its share has shown a decrease of **2.4** pp (YoY)
- Fastweb's share has reached **26.9%**, with a growth of **0.6** pp (YoY); similarly, Vodafone's share has reached **26%** with a growth of **0.7** pp (YoY)
- The cumulative growth of Linkem and other operators (**1.3** pp YoY) is essentially due to the increase of the number of FWA lines; Linkem reached **4.7%**

2.3 Broadband fixed lines

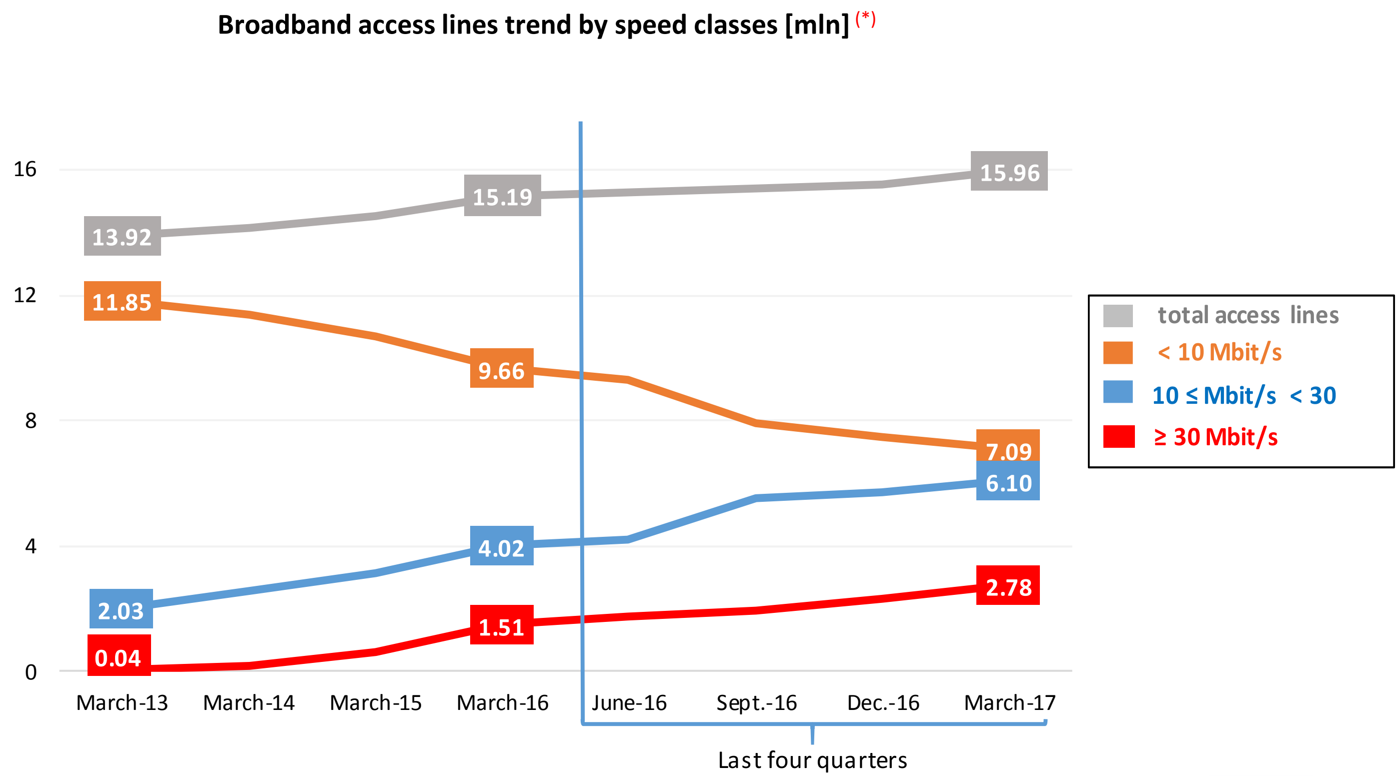


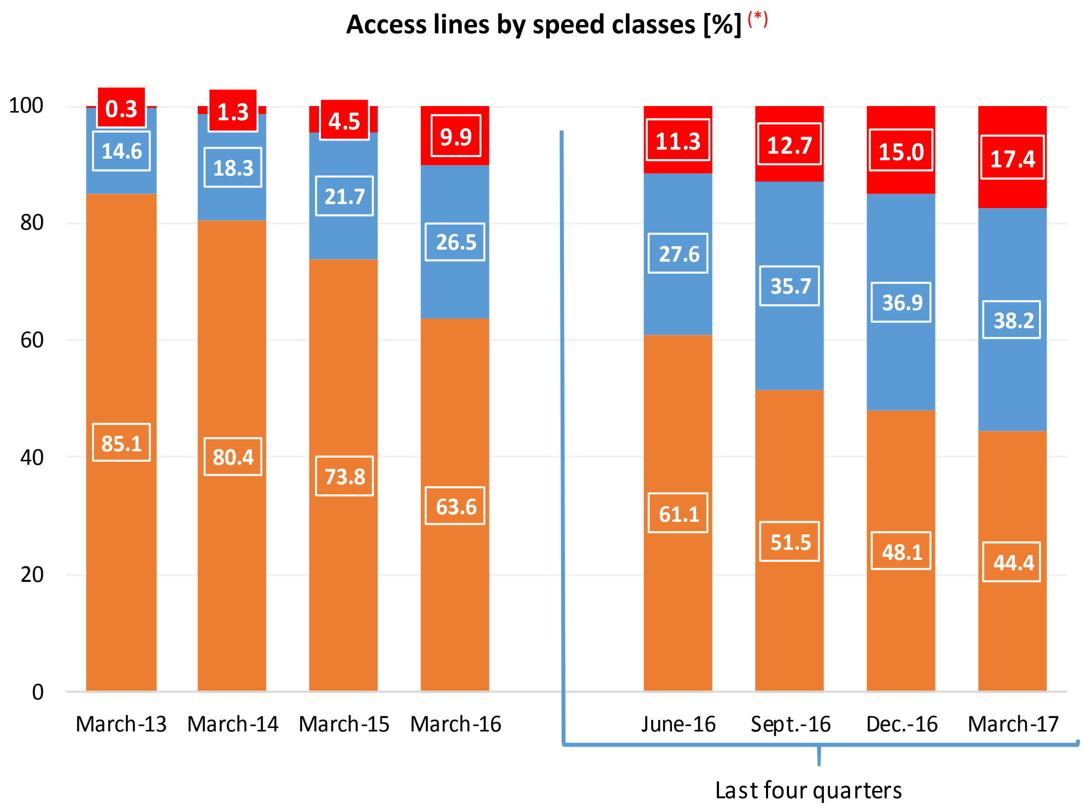


- Broadband lines have increased by about **770** thousand units YoY
- DSL lines (**12.10** million lines) have decreased by about **600** thousand units (YoY), now accounting for the **75.8%** of broadband lines
- Other technologies, in particular NGA lines, have increased by **1.37** thousand units YoY

- TIM's market share has reduced by **0.7** pp (YoY)
- Fastweb has become the second operator (**15.1%**), with a growth of **0.5** pp
- Vodafone's market share has reached **13.6%**, with a growth of **0.8** pp
- The cumulative growth of Linkem and other operators' market share, is essentially due to the increase in the number of FWA lines

2.4 Broadband fixed lines by speed

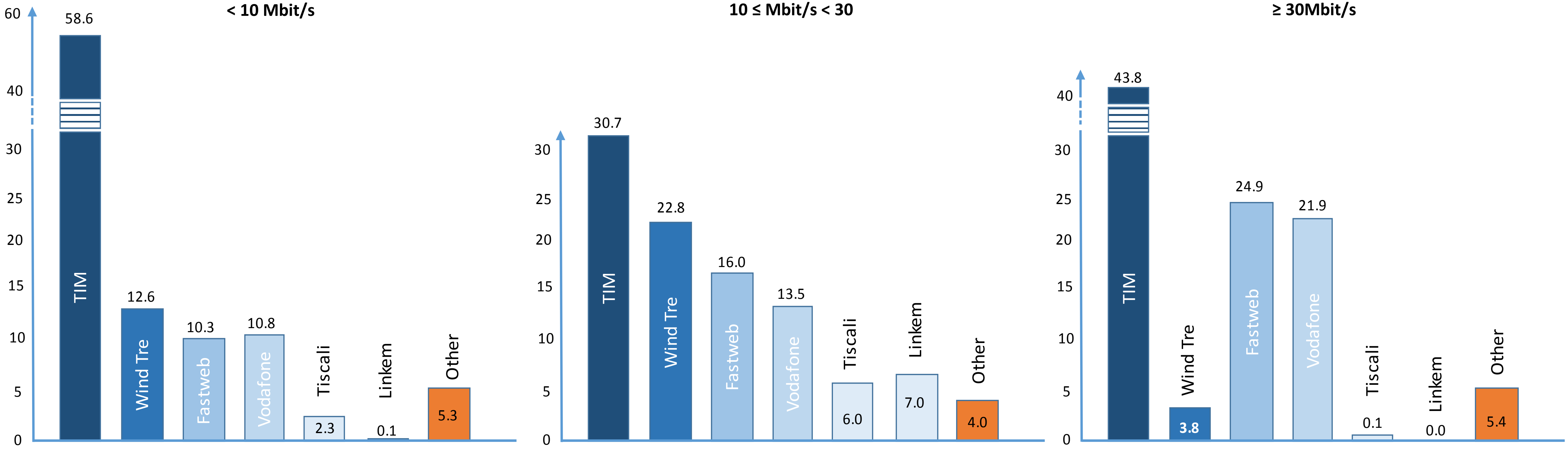




- Broadband lines faster than 10 Mbps have increased by more than **3.1** million units YoY and account for more than **55%** of total broadband lines
- Broadband lines faster than 30 Mbps have increased by **1.2** thousand units YoY and account for **17%** of total broadband lines

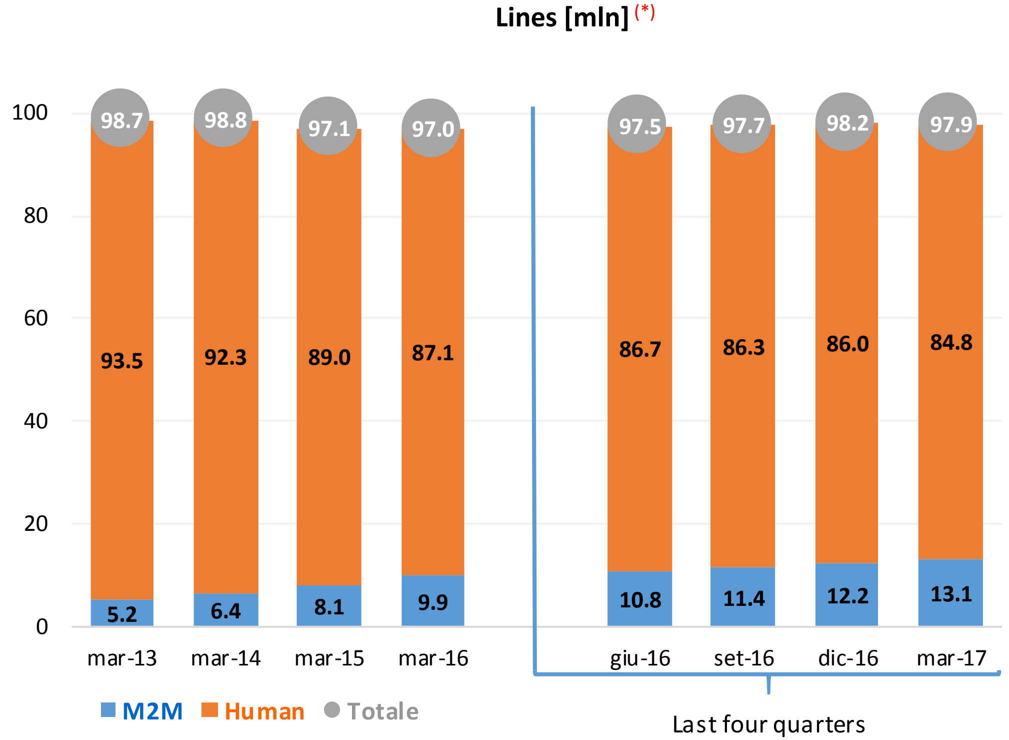
(*) Due to changes in firms' accounting methods, figures cannot be compared directly with those reported in previous issues

2.5 Broadband fixed lines by speed and operator

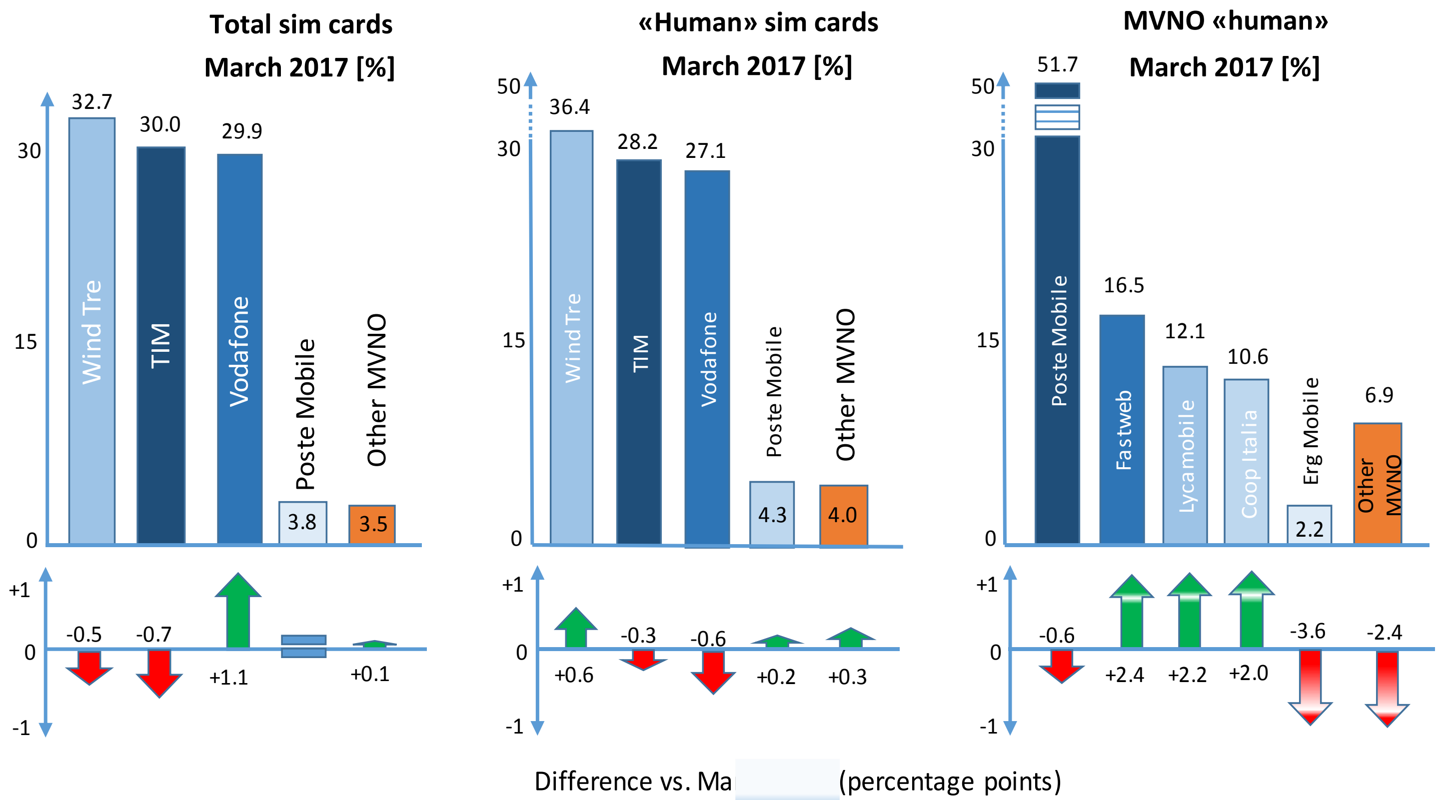


- In the segment below 10 Mbps, TIM, as a consequence of it's historical monopolistic position, still holds **58.6%** of lines
- TIM has shown the most conspicuous growth of ≥10 Mbps lines YoY (**1.9** million units), followed by Wind Tre (**+445** thousand units) and Vodafone (**+341** thousand units)
- TIM, Fastweb and Vodafone own together more than **90%** of high-speed lines (faster than 30 Mbps)

2.6 Mobile subscribers



MVNO = Virtual Operators
MNO = Network Operators



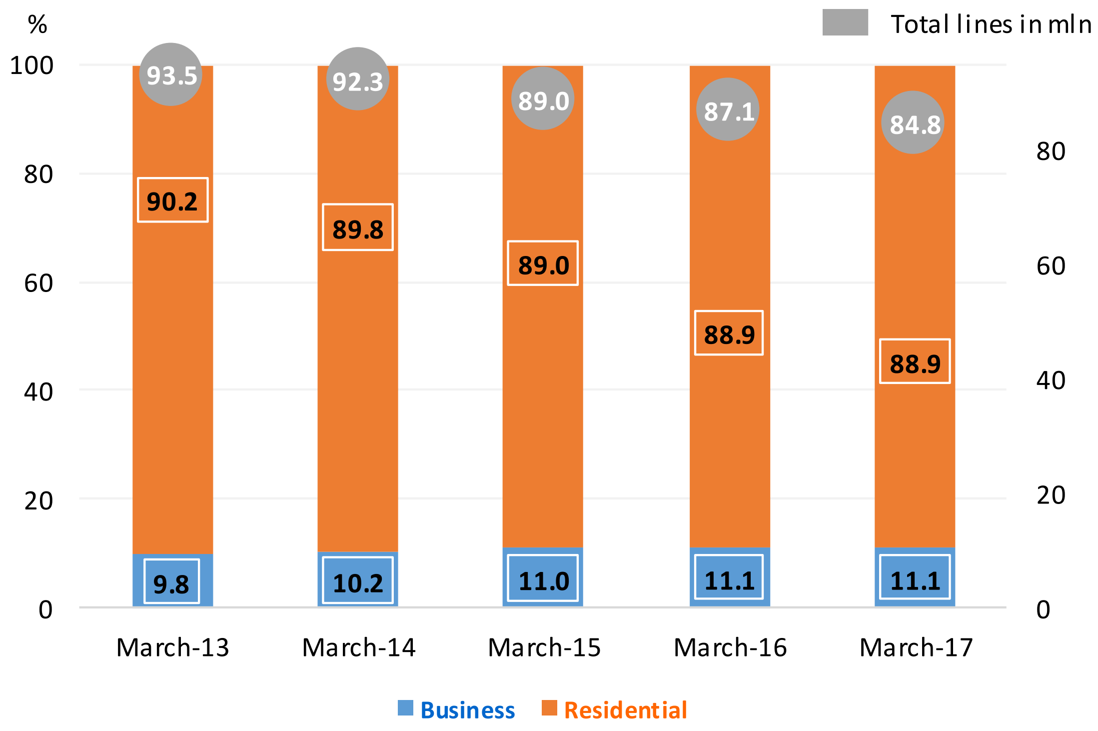
- On a yearly basis, mobile lines have increased by about **0.9** million units
- Over the last five years, «M2M» (machine to machine) sim cards have increased by **3.2** million units, now accounting for **13.1** million lines, whereas «Human» sim cards has shown a decrease by **2.3** million lines

- In terms of total sim cards, TIM's and Wind Tre's market shares have decreased respectively by **0.5** and **0.7** pp (YoY), while Vodafone's market shares have increased respectively by **0.7** and **0.6** pp
- For «Human» sim cards, Wind Tre reached **36.4%** of lines (**+0.6** pp YoY), whereas TIM's and Vodafone's share of lines have decreased respectively by **0.3** and **0.6** pp (YoY)
- Among MVNOs, Poste Mobile holds a share of **51.7%**, followed by Fastweb (**16.5%**)

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

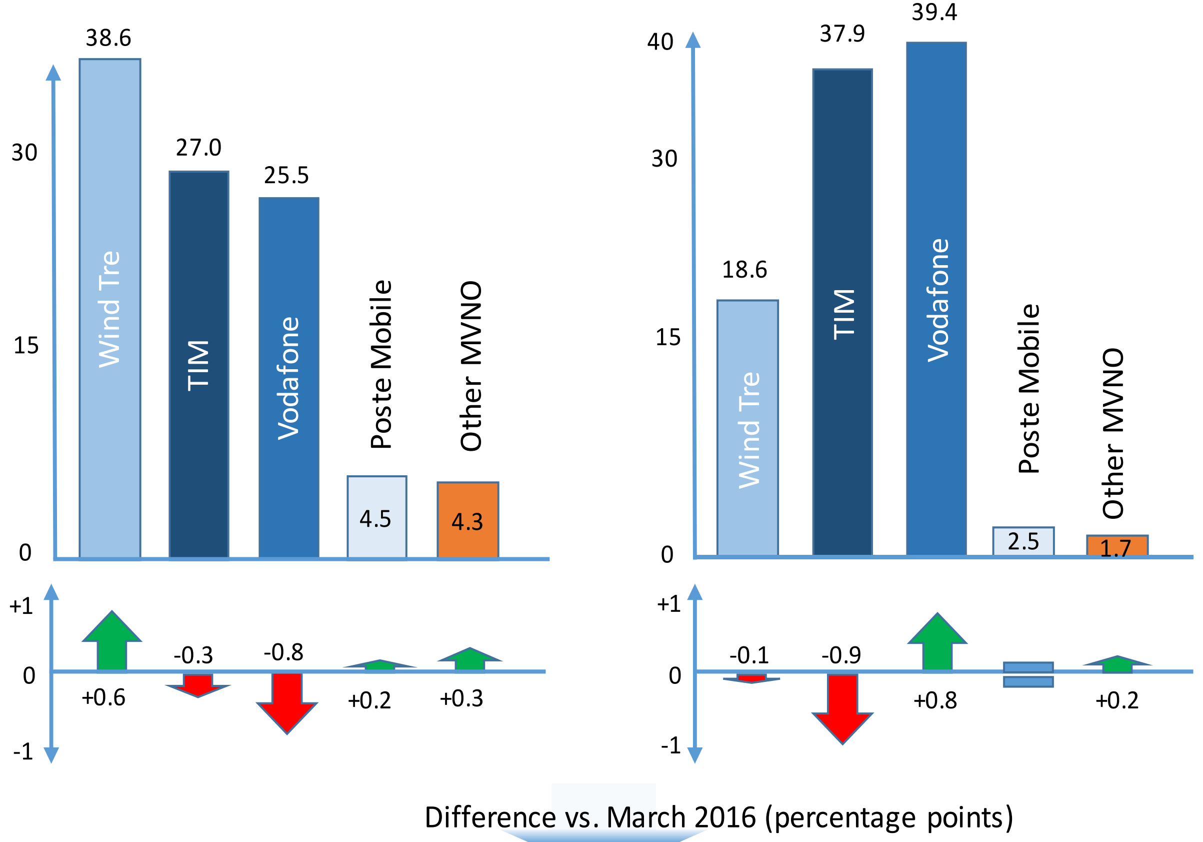
2.7 Mobile subscribers by type of consumer – for «human» sims only

Total lines by consumer type (*)



Residential – March 2017 [%] (*)

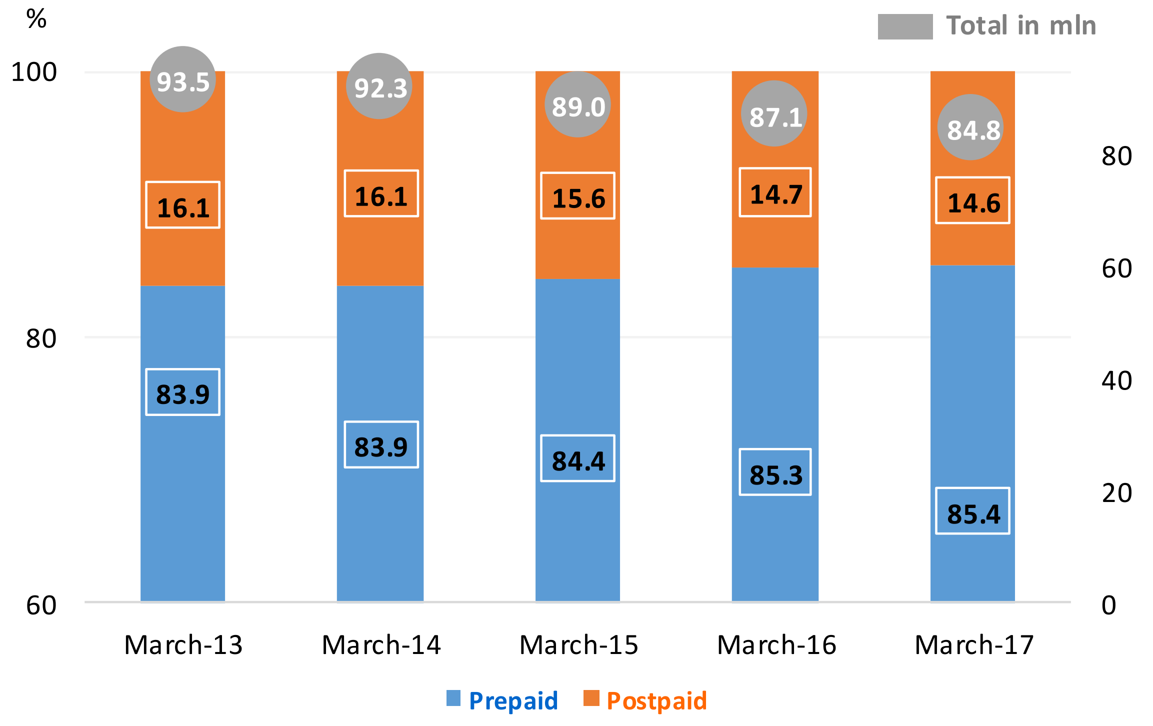
Business – March 2017 [%] (*)

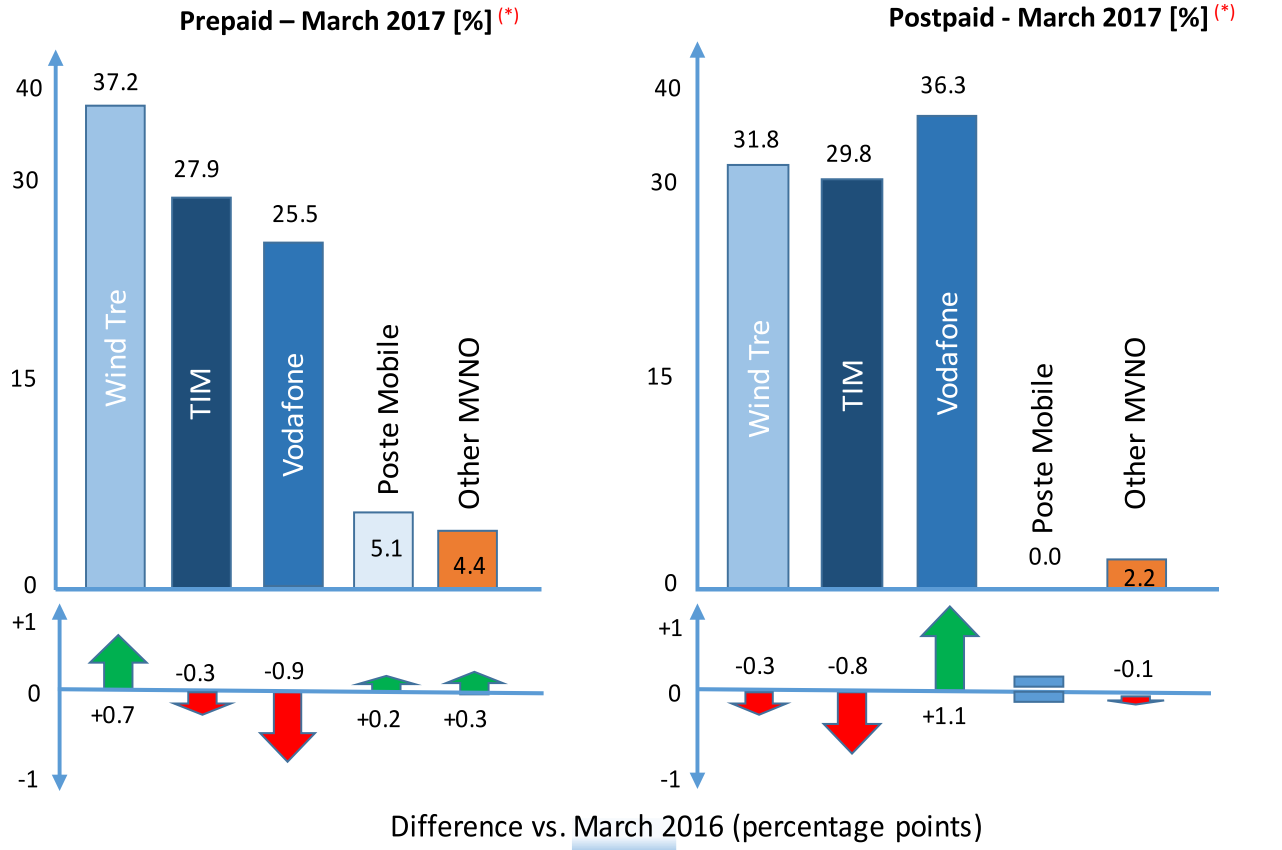


- Non residential sim cards (**9.4** million units at the end of March 2017) have decreased on a yearly basis by **290** thousand units
- Residential sim cards (**75.4** million units at the end of March 2017) have decreased by **2** million units (YoY)

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

- In the **residential** segment, Wind Tre's market share has reached **38.6%**, with a growth of **0.6** pp (YoY); TIM's and Vodafone's market shares have decreased respectively by **0.3** and **0.8** pp (YoY)
- In the **business** segment Vodafone has become the first Italian operator, with a market share of **39.4%** (**+0.8** pp)





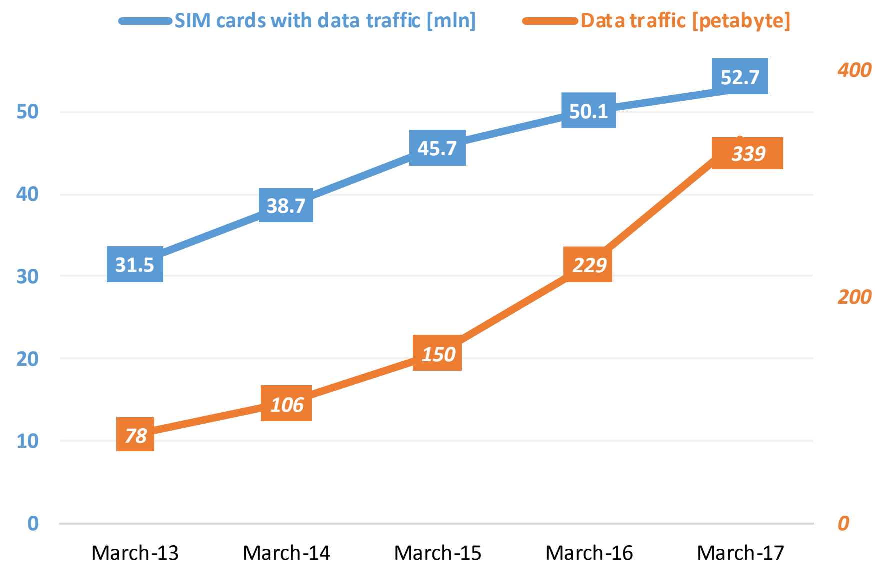
- At the end of March 2017, prepaid sim cards reached **72.5** million units (**85.4%** of total lines), with a decrease of **1.9** million units YoY
- At the end of March 2017, postpaid sim cards reached **12.3** million units (**14.6%** of total lines), with a decrease of **0.5** million units YoY

- In the **prepaid** segment, Wind Tre's (**+0.7** pp), Poste Mobile's (**+0.2** pp) and other MVNO's (**+0.3** pp) market shares have increased, whereas TIM's (**-0.3** pp) and Vodafone's (**-0.9** pp) market shares have decreased (YoY)
- In the **postpaid** segment, Vodafone was the only operator whit an increase of **1.1** pp and leads the segment with a share of **36.3%**

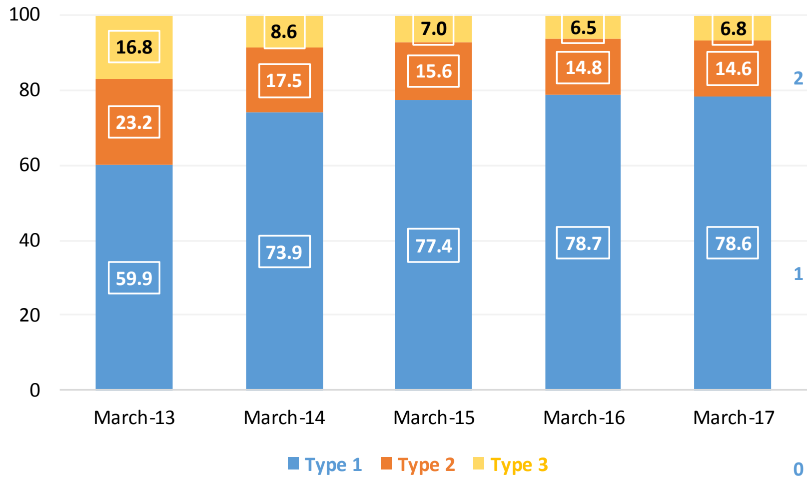
(*) Due to changes in firms' accounting methods, figures cannot be compared directly with those reported in previous issues

2.9 Mobile data traffic

Data traffic since the beginning of the year (*)

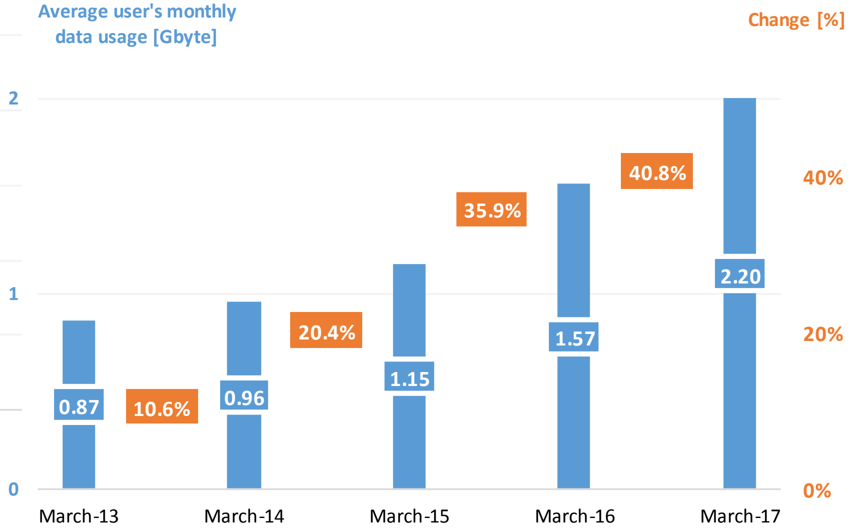


SIMs with data traffic by contract type [%] (*)



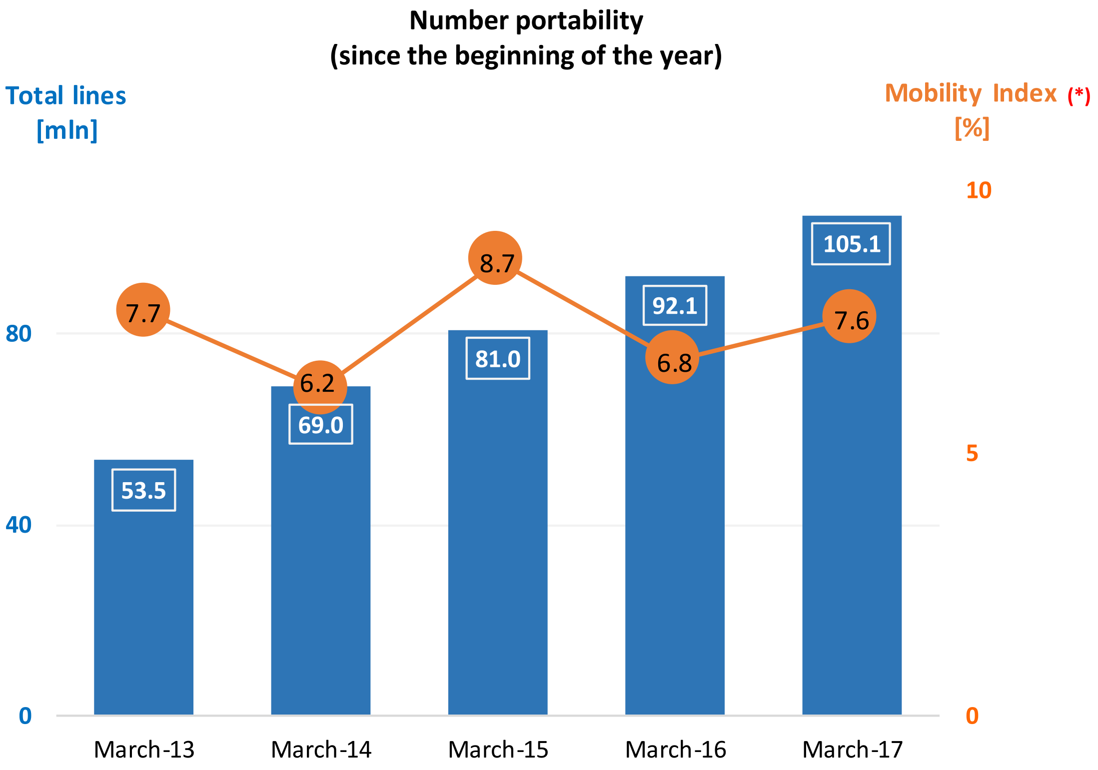
According to European Commission definitions (CoCom):
Type 1: “dedicated data subscriptions for add-on data package to a voice service requiring an additional subscription”
Type 2: “dedicated data subscriptions for stand-alone services”
Type 3: “actual usage of standard mobile subscriptions”

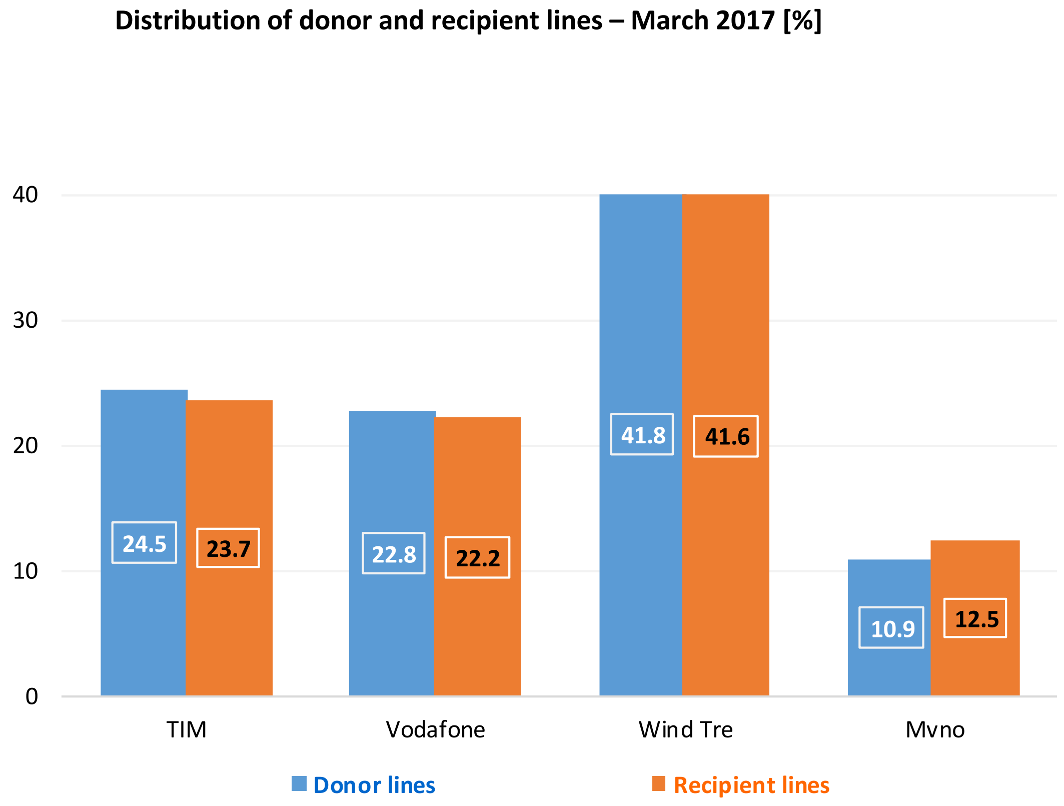
Average mobile data consumption (*)



- Sim cards with data traffic have increased over the last year from **50.1** to **52.7** million units, with a growth rate of **5.2%**
- Since March 2013, the number of sim cards with data traffic has increased from **31.9%** to **53.9%** of the overall sim cards
- In March 2017, data traffic showed a **48%** increase as compared to March 2016
- In March 2017, the average mobile data consumption per smartphone increased by **40%** (YoY), from 1.57 to 2.20 Giga byte per month

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



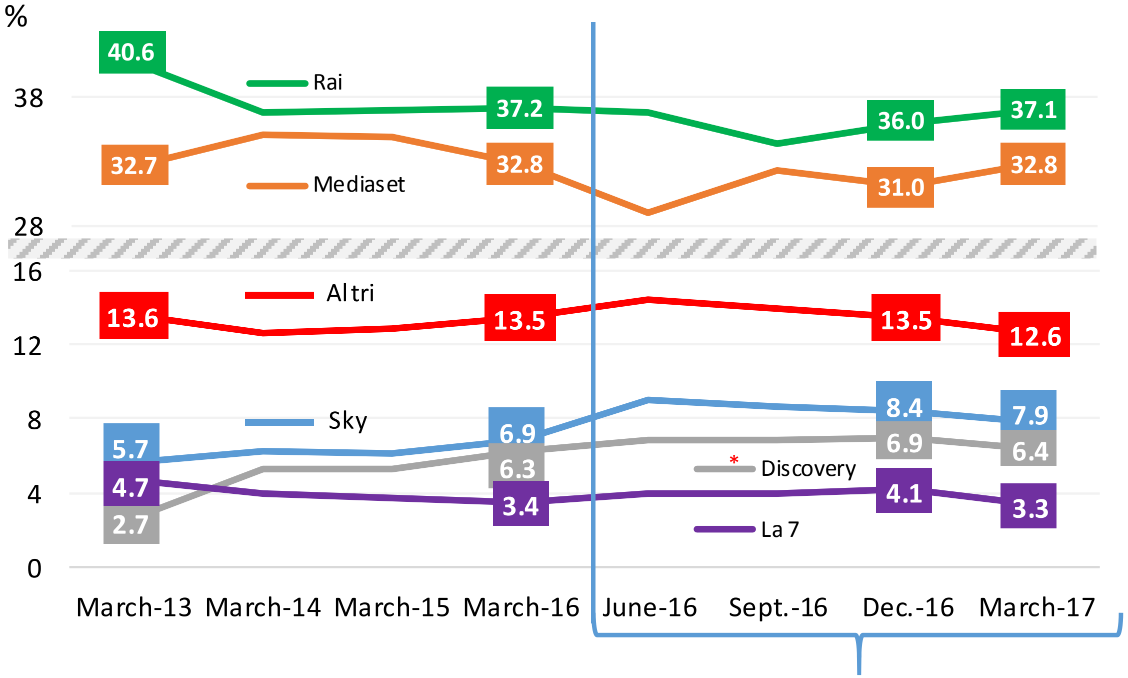


- At the end of March 2017, the total amount of mobile number portability operations exceeded **105** million
- On a yearly basis, the net «donating-recipient» balance has improved for MVNO (**+220** thousand lines), whereas it has worsened for Vodafone (**-77** thousand lines), Wind (**-26** thousand lines) and TIM (**-99** thousand lines)
- At the end of March 2017, the «Mobility Index»(*) was **7.6%**, in line with those of previous years

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

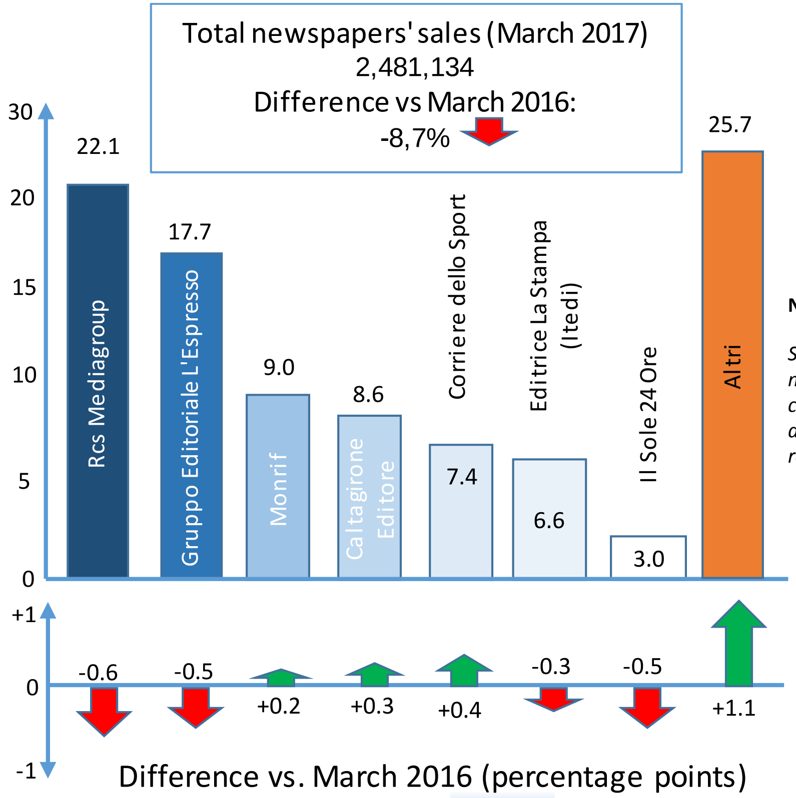
3.1 Media: TV audience and newspapers' sales

Audience on an average day - (March 2013 – March 2017) [%]



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

Newspapers' sales – March 2017 [%]



Note: AGCOM's elaborations on ADS data

Since data are collected monthly on 64 newspapers, the figures may not be directly comparable with data gathered by AGCOM and published in the Annual Report which refers to the entire newspapers population

- Over the March 2013 - March 2017 period, the cumulative audience of the two most important players (Rai and Mediaset) has decreased by **3.4** pp, from 73.3% to 69.9%
- In the same period, Sky and Discovery has experienced an increase in their audience
- The audience of smaller operators (**12.5%**) was almost unchanged as compared to the previous year

- Newspapers' sales showed a **8.7%** reduction YoY
- Gruppo Editoriale l'Espresso and Rcs Mediagroup currently share the leadership of the market

3.2 Media: radio and Internet audience

Radio: listeners on an average day (2nd half of 2016)

Position 2nd semester 2016	Change on previous year		Radio station	Radio station
1	=	(0)	RTL 102.5	19.5
2	↑	(+1)	RDS 100% Grandi Successi	13.5
3	↑	(+1)	RADIO 105	13.5
4	↓	(-1)	RADIO DEEJAY	13.2
5	↓	(-1)	RADIO ITALIA Solomusicaitaliana	12.3
6	=	(0)	RAI RADIO 1	11.4
7	=	(0)	RAI RADIO 2	8.2
8	=	(0)	VIRGIN RADIO	6.7
9	=	(0)	RADIO 24 - IL SOLE 24 ORE	5.7
10	↑	(+2)	RADIO KISS KISS	5.4
11	=	(0)	RADIO R101	5.1
12	↓	(-2)	RADIO CAPITAL	4.6
13	=	(0)	M2O	4.4
14	↑	(+1)	RAI RADIO 3	4.1
15	↑	(+1)	RMC - RADIO MONTE CARLO	3.4

Source: data collected as a part of the RadioMonitor survey

- RTL 102.5 keeps the leading position, followed by RDS and Radio 105
- Compared to 2nd semester of 2015, it is possible to observe a higher concentration of audience in the leading radio station

Internet: active reach (March 2017)

Position March 2017	Change on previous year		Parent*	Active Reach** (%)	Average time spent on website by visitors (hh:mm)
1	=	(0)	Google	96.4	07:13:48
2	=	(0)	Facebook	84.3	27:18:33
3	=	(0)	Microsoft	71.0	01:27:53
4	↑	(+1)	Amazon	60.5	00:57:56
5	↑	(+1)	ItaliaOnline***	54.5	01:36:55
6	↑	(+11)	Mondadori****	52.6	00:17:21
7	↑	(+2)	Wikimedia Foundation	49.6	00:11:25
8	↑	(+2)	Gruppo Espresso	43.5	00:28:11
9	↓	(-1)	eBay	42.8	00:51:28
10	↓	(-3)	Yahoo	42.7	00:43:44
11	↑	(+1)	RCS MediaGroup	36.1	00:23:50
12	↓	(-1)	Triboo	35.7	00:09:06
13	=	(0)	Mediaset	35.7	00:34:57
14	↑	(+1)	Telecom Italia	32.8	00:37:22
15	↑	(+22)	LinkedIn	30.9	00:10:33

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

***** Seat Pagine Gialle**, since June 2016, was included in the *Italiaonline* brand

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

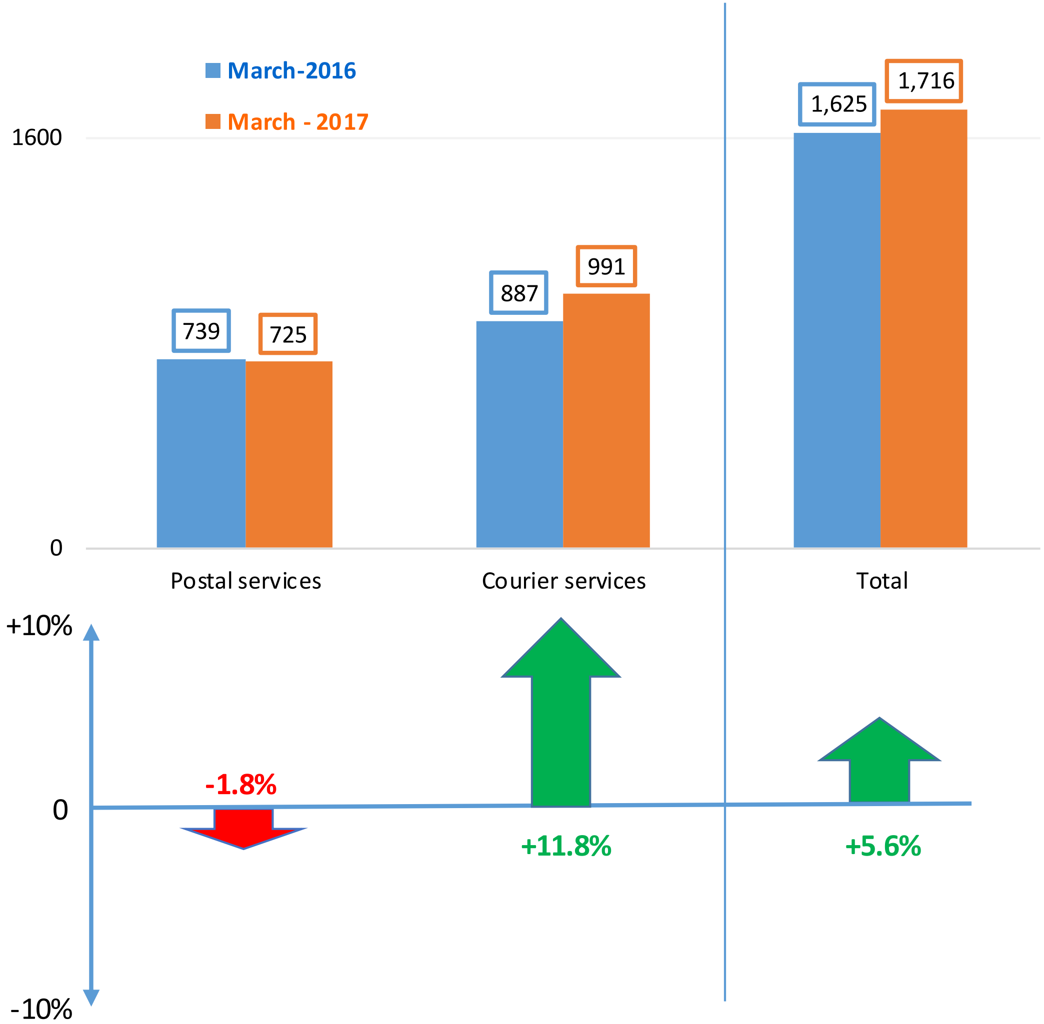
****** Banzai**, since July 2016, was included in the *Mondadori* parent

Source: Audiweb (March 2016 – March 2017)

- Google parent entity remains the leader with about **96.4%** of the active reach
- The main portals to web navigation show the higher active reach
- In March 2017, about 26.5 mln people per day accessing the web via mobile phones (**+18.3%** YoY)

4.1 Postal services and express couriers: revenues

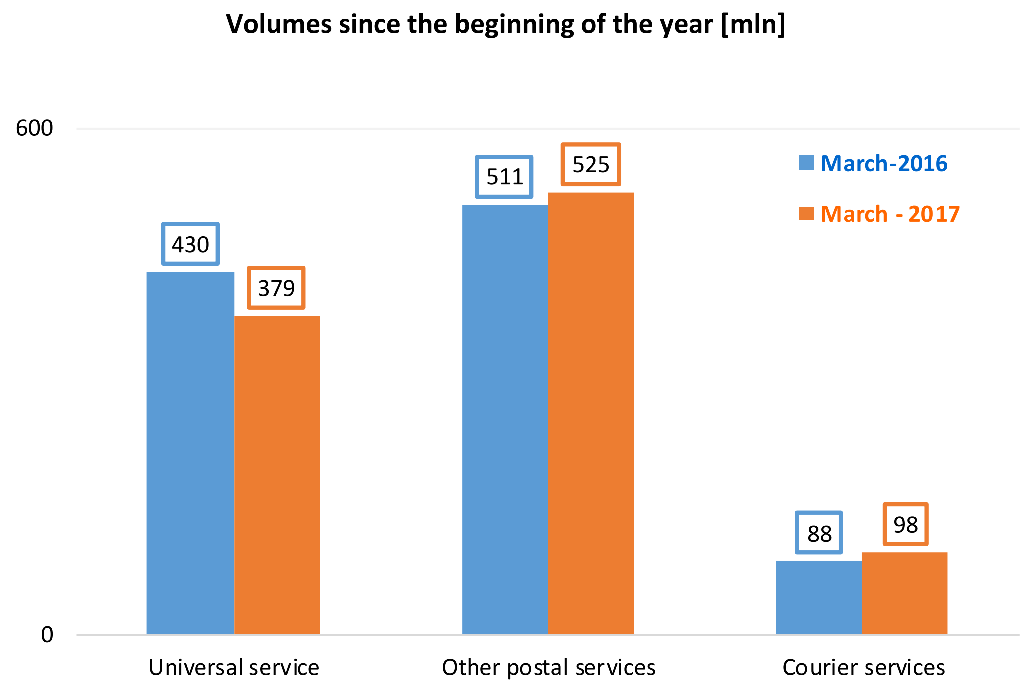
Revenues since the beginning of the year [million of €]

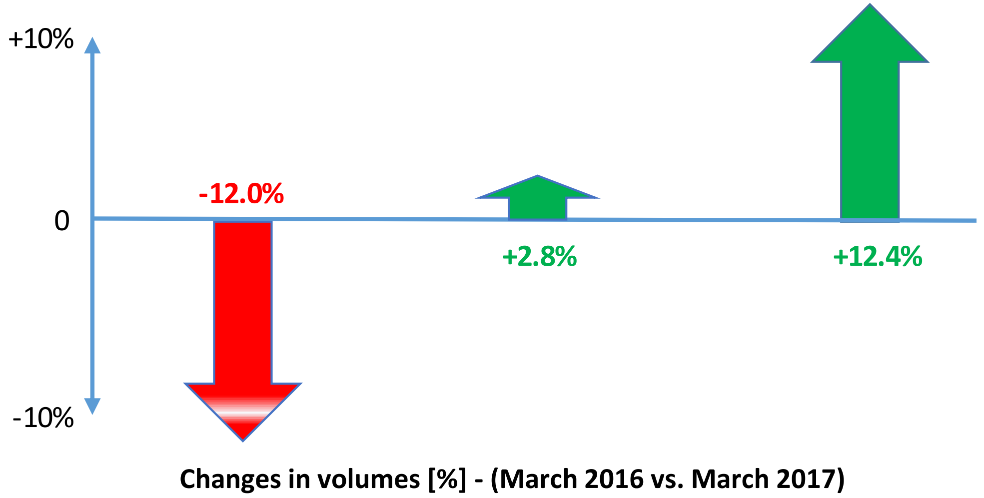


Changes in revenues [%] - (March 2016 vs. March 2017)

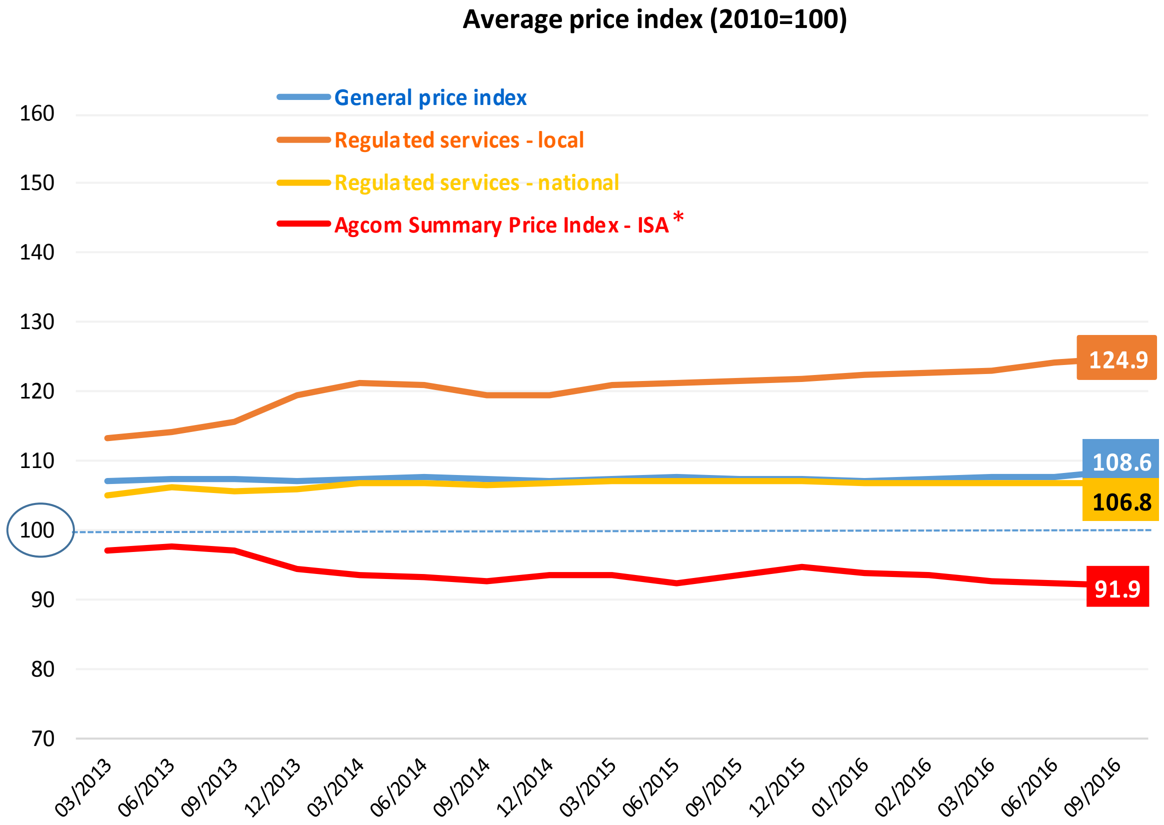
- In the first quarter of 2017, overall revenues are about **1,716** million of €, with an increase of 5.6% YoY
- YoY, postal services' market has shown a decline in revenues (1.8%), whereas the courier services' market has shown a growth in revenues (7.8%)
- The revenues of courier services' market (**991** mln €) are higher than those of the postal services' market (**725** mln €)

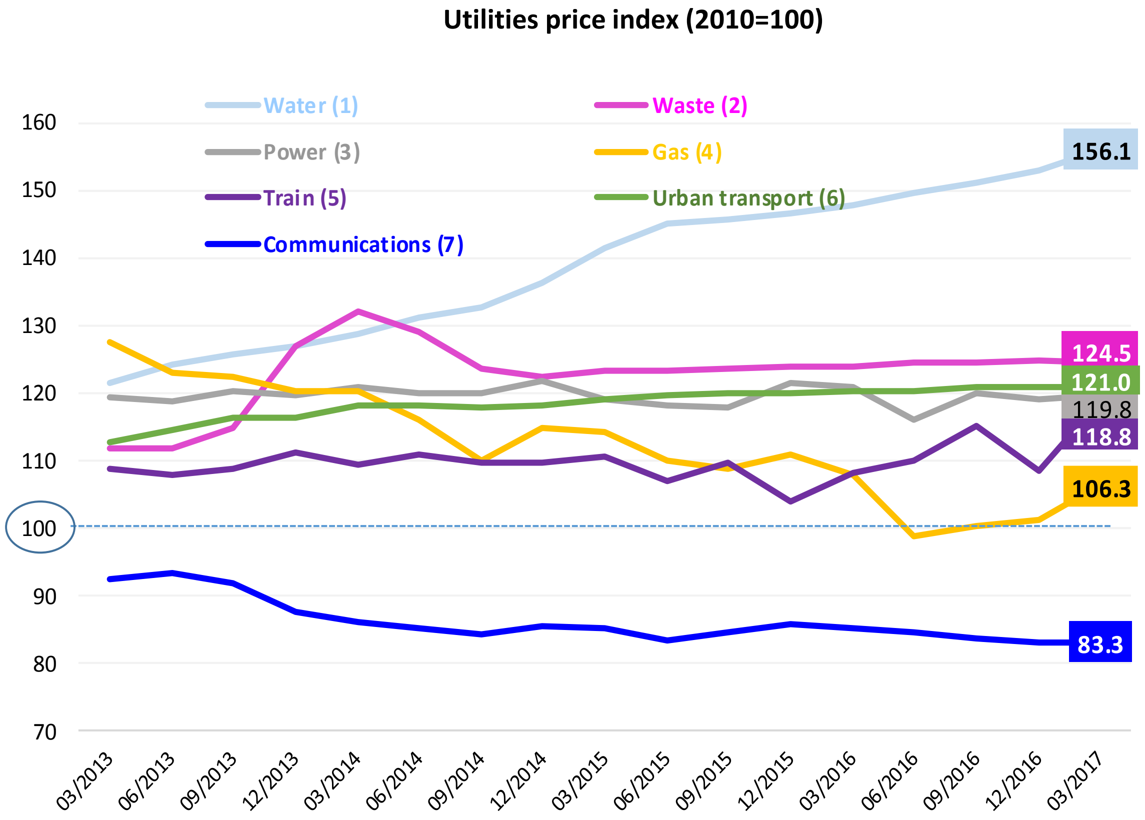
Note: The figures relate to the following companies: Bartolini , DHL Express, Federal Express Europe, Nexive, Poste Italiane, SDA, TNT Global Express, UPS, GLS Italy





- In the first quarter of 2017, volumes of universal services amount to **378** million units, showing a contraction of **12%** YoY
- Other postal services have shown a **2.8%** increase in volumes YoY
- As for the courier services' segment (**98.4** million units from the beginning of the year), volumes have increased by about **12.4%** YoY



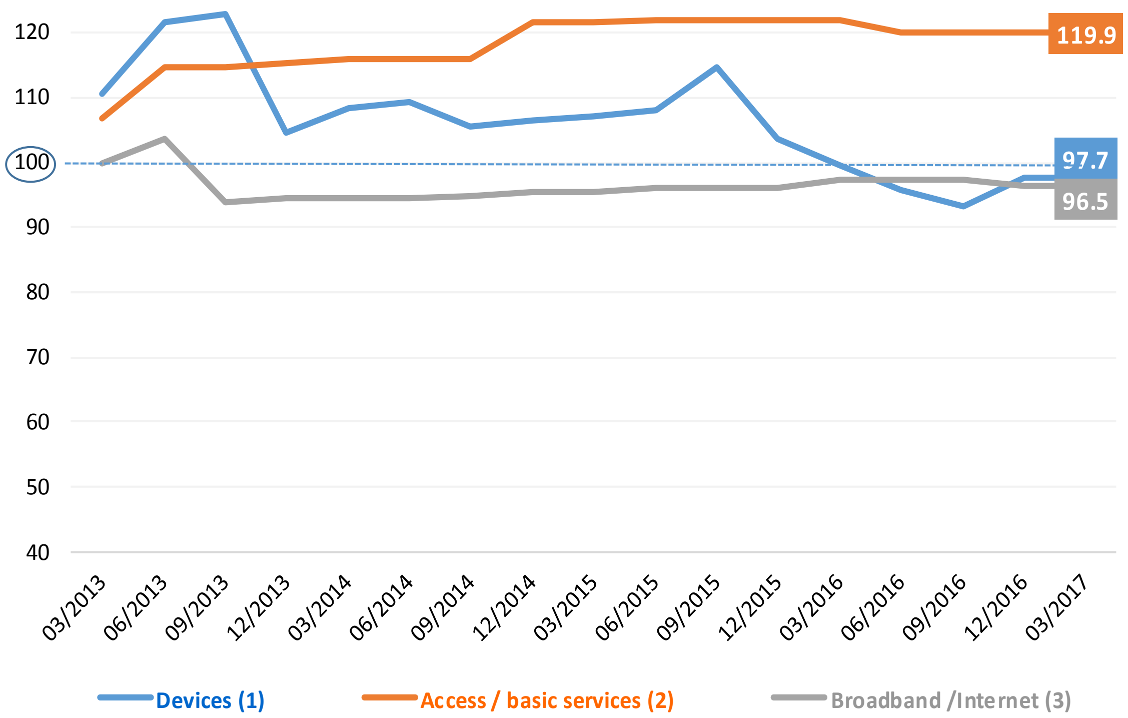


Istat Services Codes:

(1)	04 41	(5)	07 31
(2)	04 42	(6)	07 32 11
(3)	04 51	(7)	08
(4)	04 52		

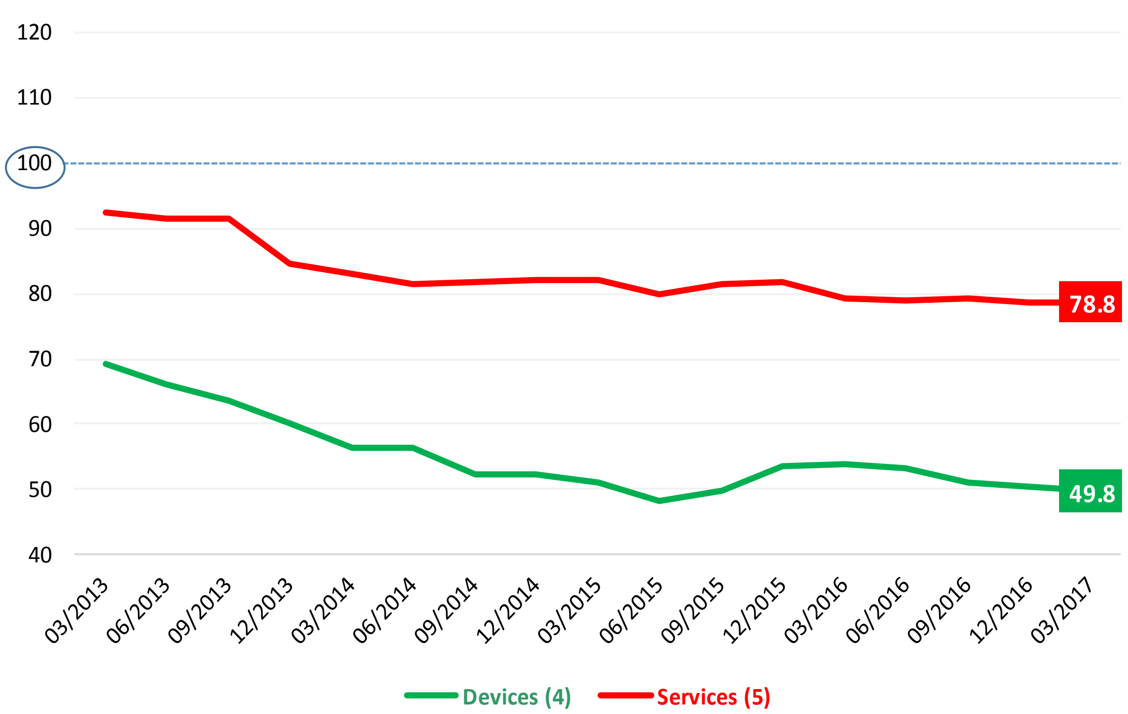
* The ISA («Indice Sintetico Agcom») price index includes postal services, services and devices for fixed and mobile telephony, public TV license fee, pay TV, newspapers and magazines (10 items). In compliance with the procedure adopted by ISTAT for the indices of consumer prices, the aggregate communications index is calculated by the "method of chaining", by which the system of weights assigned to the items is updated yearly.

Fixed telephony price indices (2010=100)



Istat services codes:
(1) 08 20 10
(2) 08 30 10
(3) 08 30 30

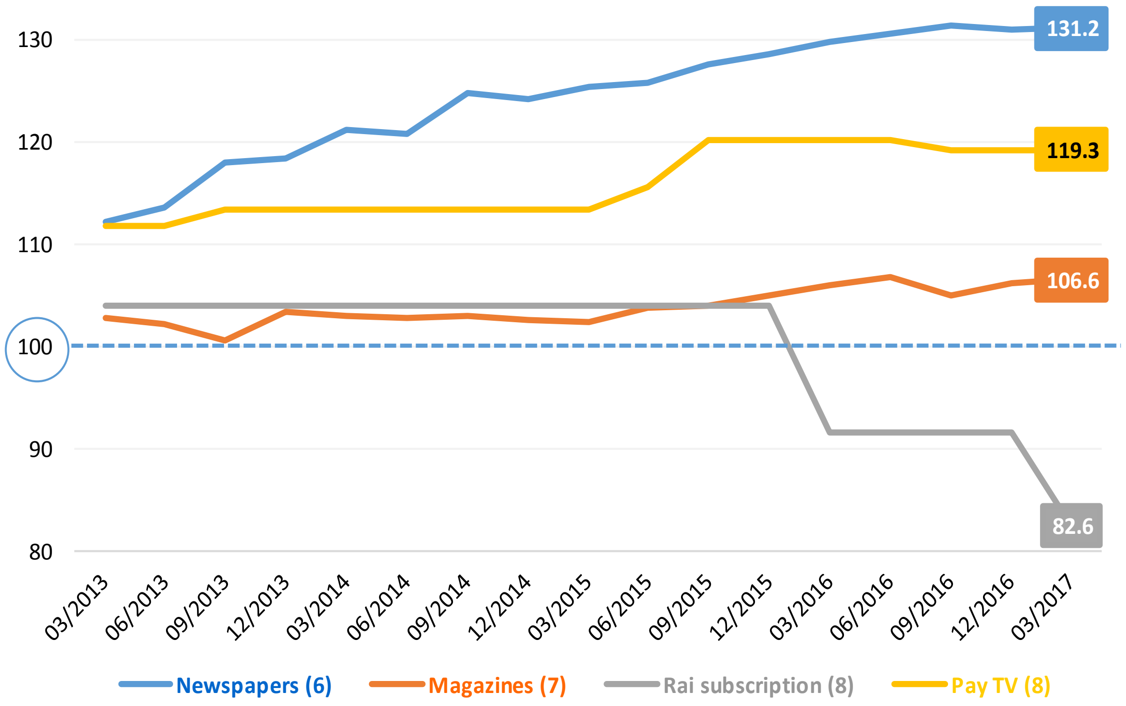
Mobile telephony price indices (2010=100)



Istat services codes:
(4) 08 20 20
(5) 08 30 20

5.3 Daily newspapers, magazines, TV and postal services price indices

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



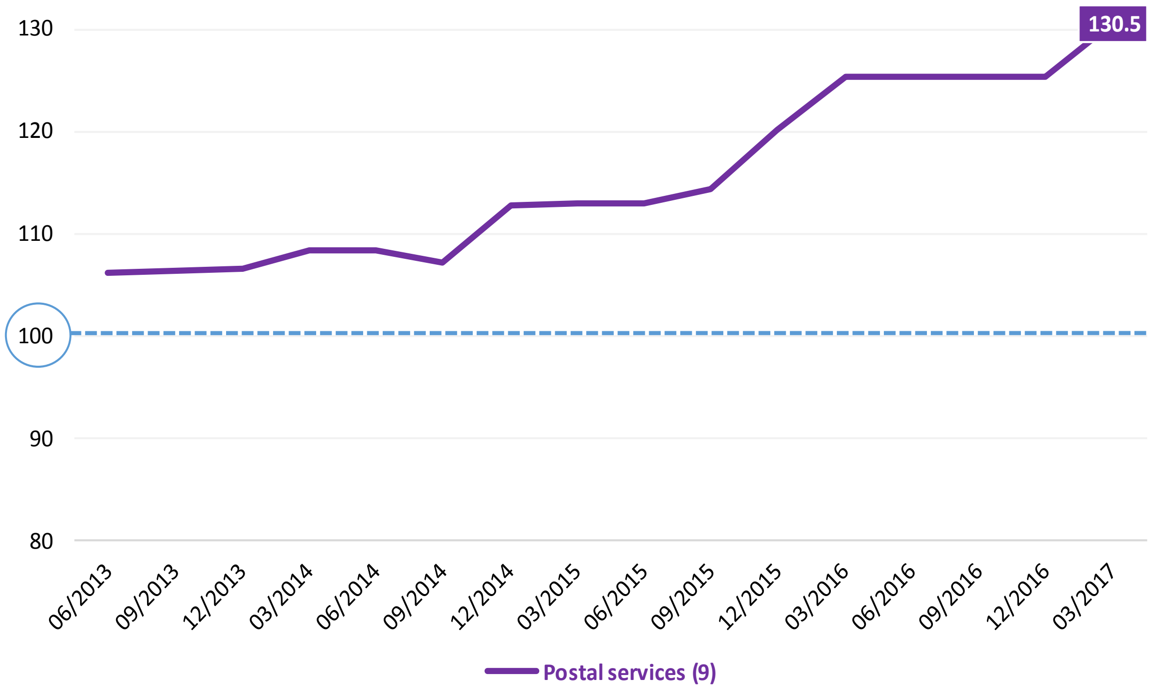
Istat services codes :

(6) 09 52 10

(7) 09 52 20

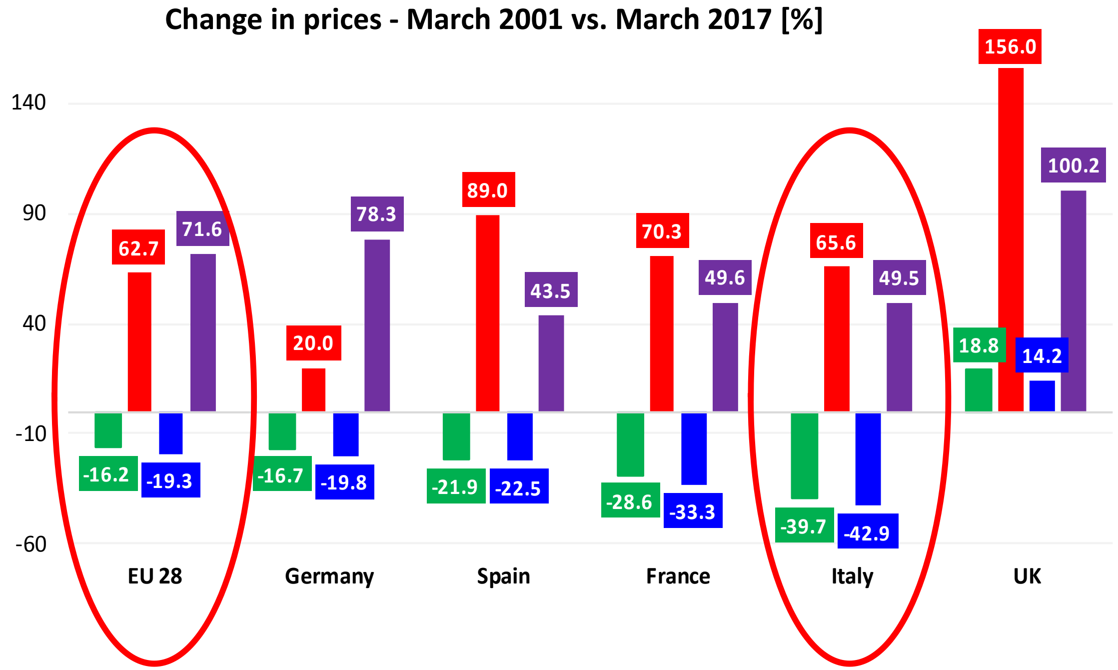
(8) 09 42 30

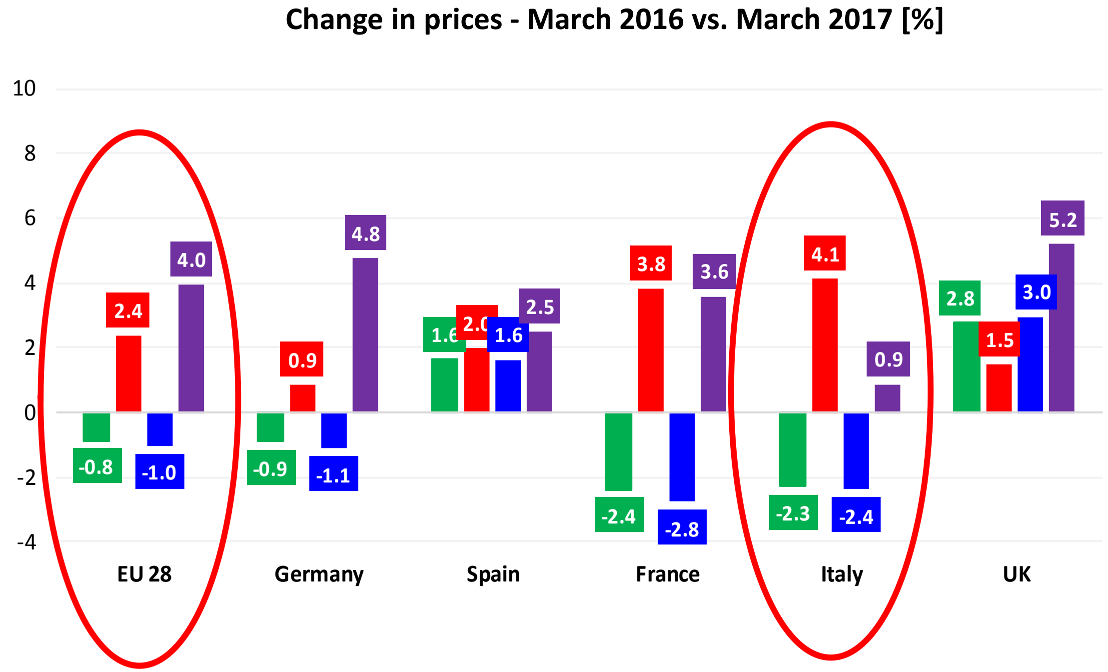
Postal services price index (2010=100)



Istat services codes

(9) 08 10 00





Communications Postal services TLC - services and equipments Newspapers and periodicals

- Since March 2001, in Italy the communications price index has decreased at a faster pace than the EU average (**-39.7** and **-16.2** pp, respectively); the Italian inflation rate of postal services (**+65.9** pp) has increased slightly more than the EU average increase (**+62.7** pp), Germany showed a lower increase (**+20.0** pp)
- In Italy, the newspapers and periodicals price index has increased (**+49.5** pp) less than the EU average (**+71.6** pp)
- YoY trends confirm those described above

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