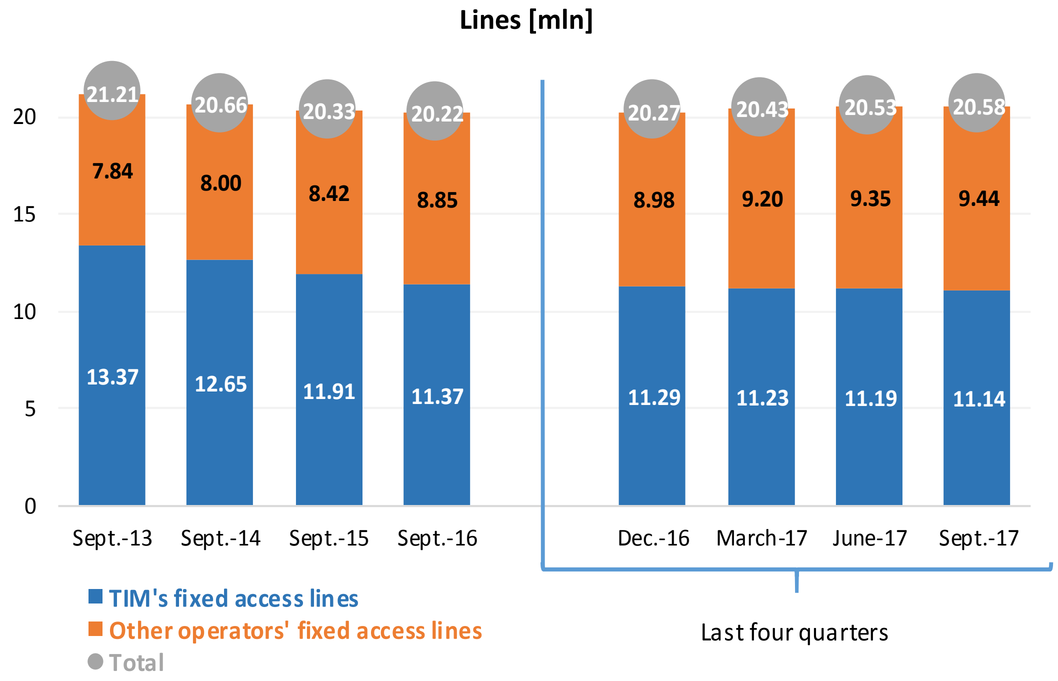
COMMUNICATION MARKETS MONITORING SYSTEM

no. 4/2017

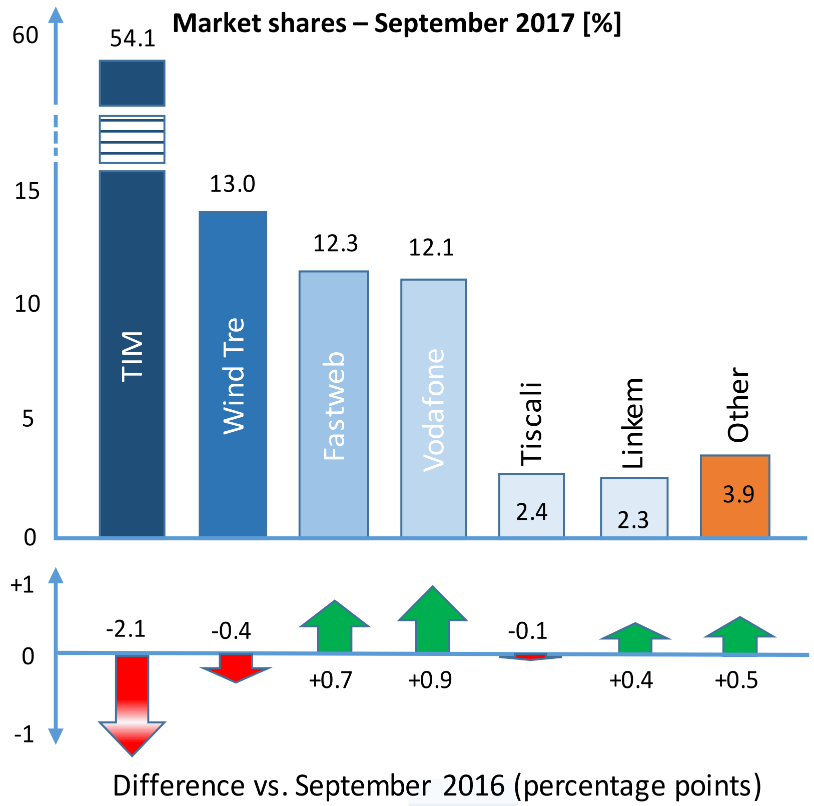
Index

The following figures are based on AGCOM's elaborations on firms' data and other sources (updated to September 2017). Due to changes in firms' accounting methods, some figures cannot be compared directly with those reported in previous issues.

1.1 Total fixed access lines

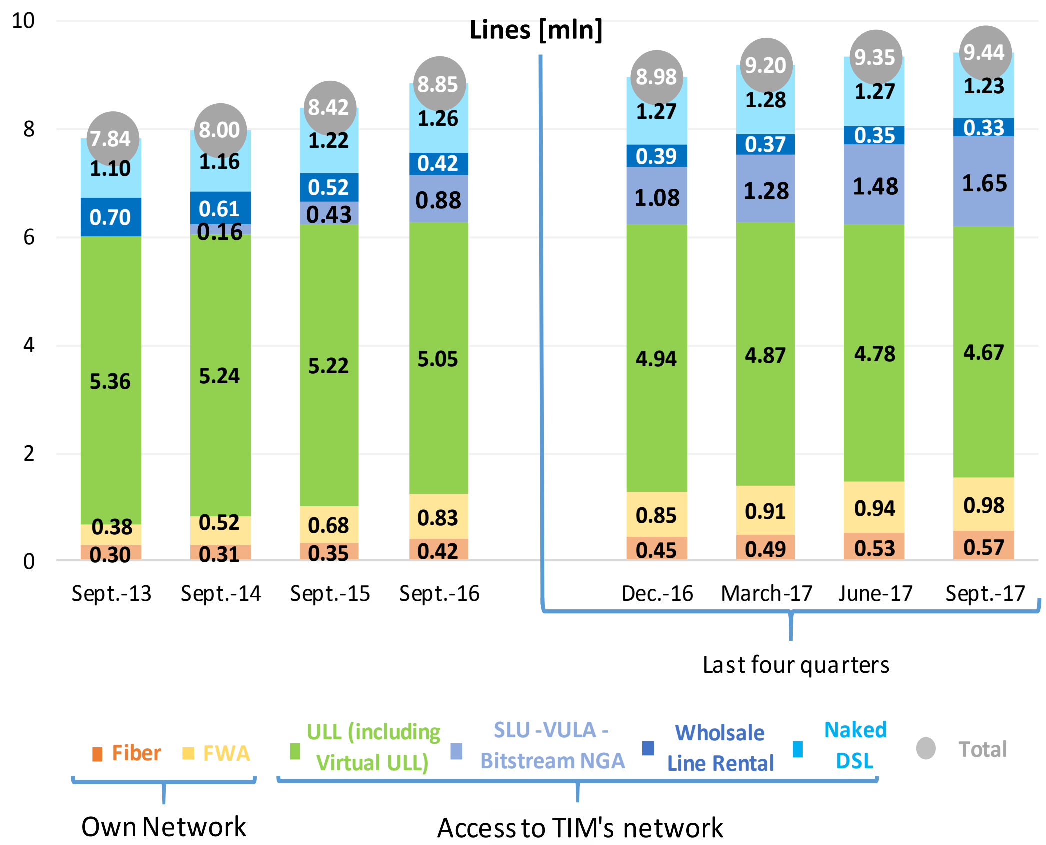


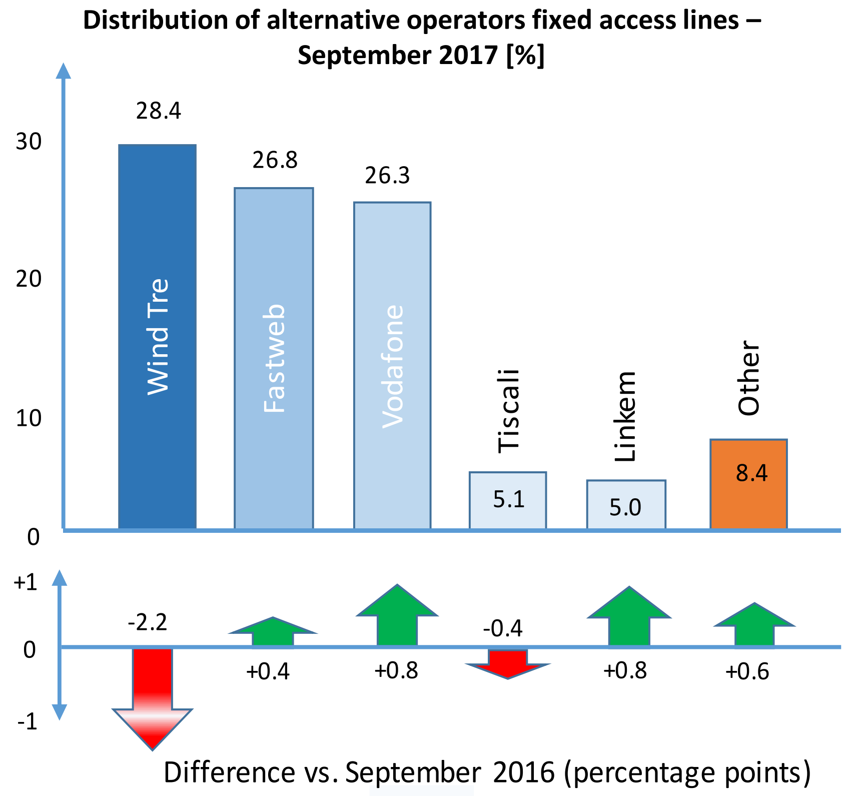
Note: access lines include Telecom Italia's fixed access lines, fully unbundled, SLU, VULA, DSL naked, WLR, fiber and FWA lines



- For the fourth quarter in a row, total access lines have increased
- On a yearly basis, TIM's access lines have decreased by **230** thousand units, while other operators' access lines have increased by about **590** thousand units

- TIM's market share dropped to **54.1%** at the end of September 2017
- Fastweb's market share has reached **12.3%**, with a growth of **0.7** pp (YoY); similarly, Vodafone's market share has reached **12.1%** with a growth of **0.9** pp
- Other operators have, as a whole, increased their market share by **0.9** pp (YoY); the increase has been more evident for Fixed Wireless Access (FWA) operators

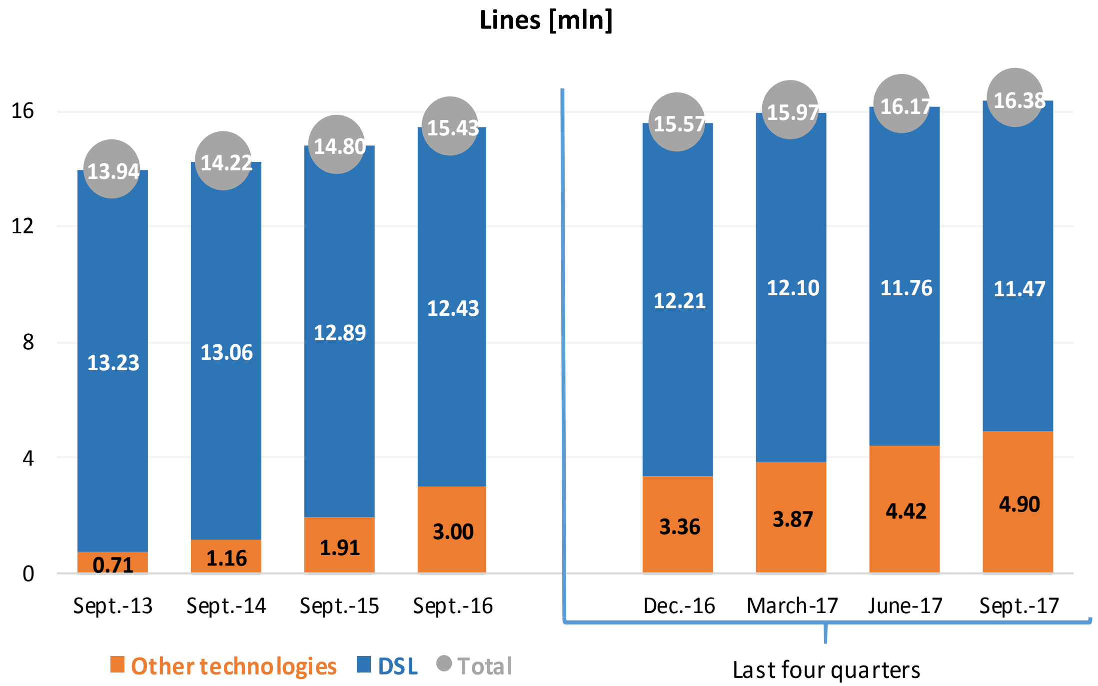


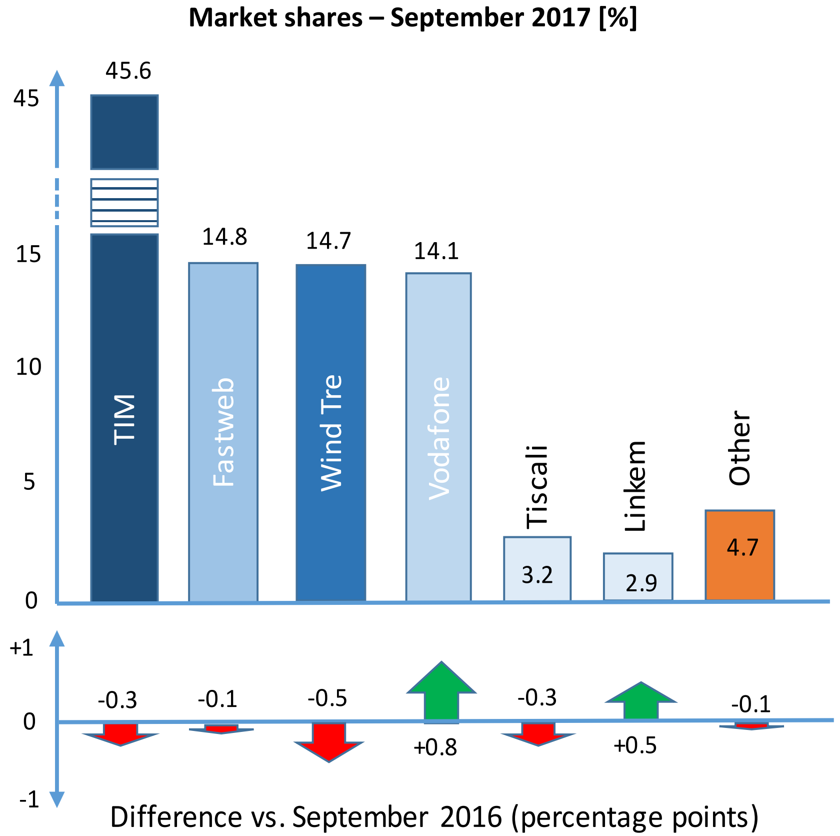


- Access lines provided by alternative operators have increased by **590** thousand units (YoY)
- A substantial part of this growth (**770** thousand lines) is essentially due to the new NGA services offered by TIM (SLU and VULA) that compensate for the reduction in ULL and WLR lines (**-440** thousand lines)
- FWA and fiber lines have increased each by **160** thousand units (YoY)

- Wind is still the first alternative operator, but its share has shown a decrease of **2.2** pp (YoY)
- Fastweb holds **26.8%** of alternative operators lines, with a growth of **0.6** pp (YoY); similarly, Vodafone's share has reached **26.3%** with a growth of **0.8** pp
- The cumulative growth of Linkem and other operators (**1.4** pp YoY) is essentially due to the increase of the number of FWA lines; Linkem reached **5%**

1.3 Broadband and ultrabroadband fixed lines

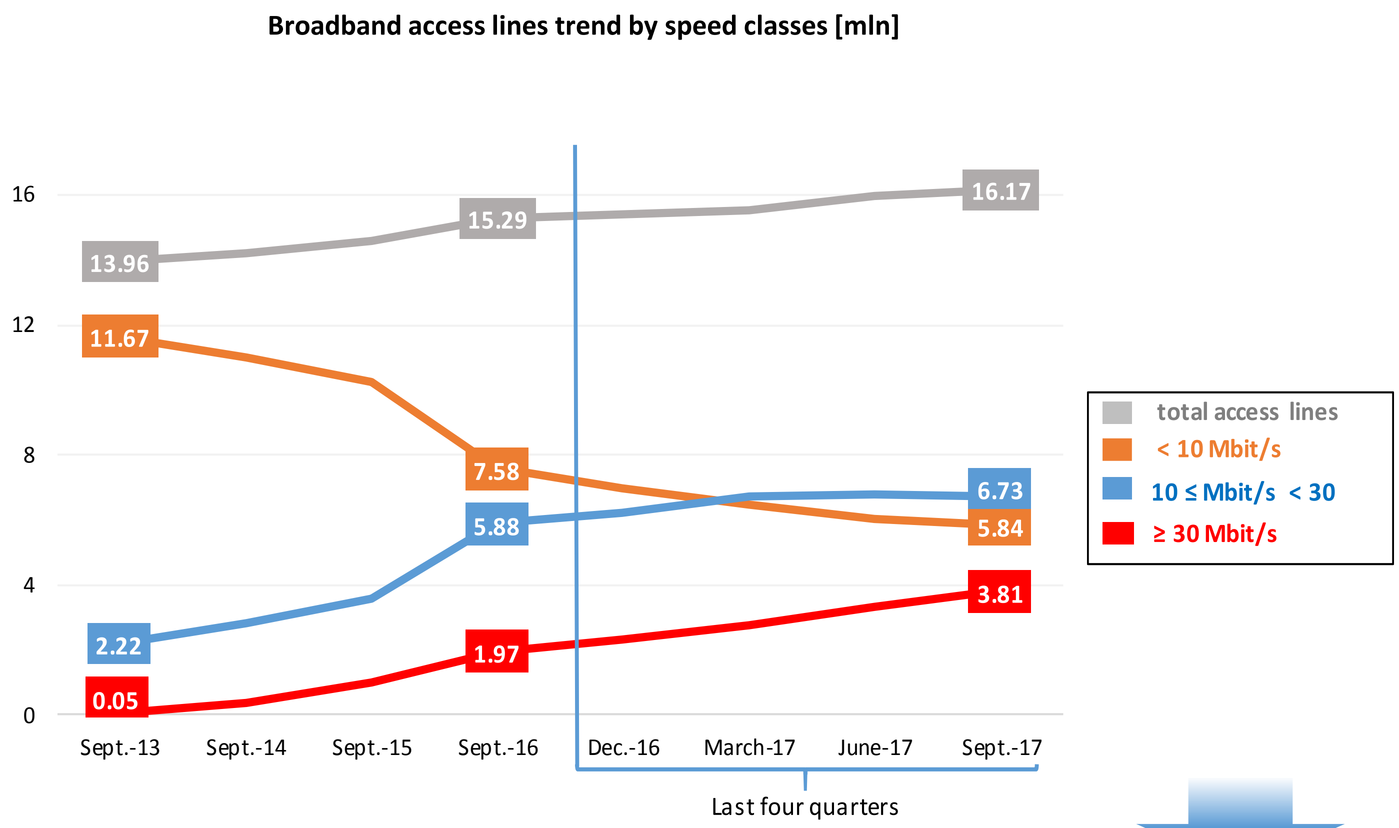


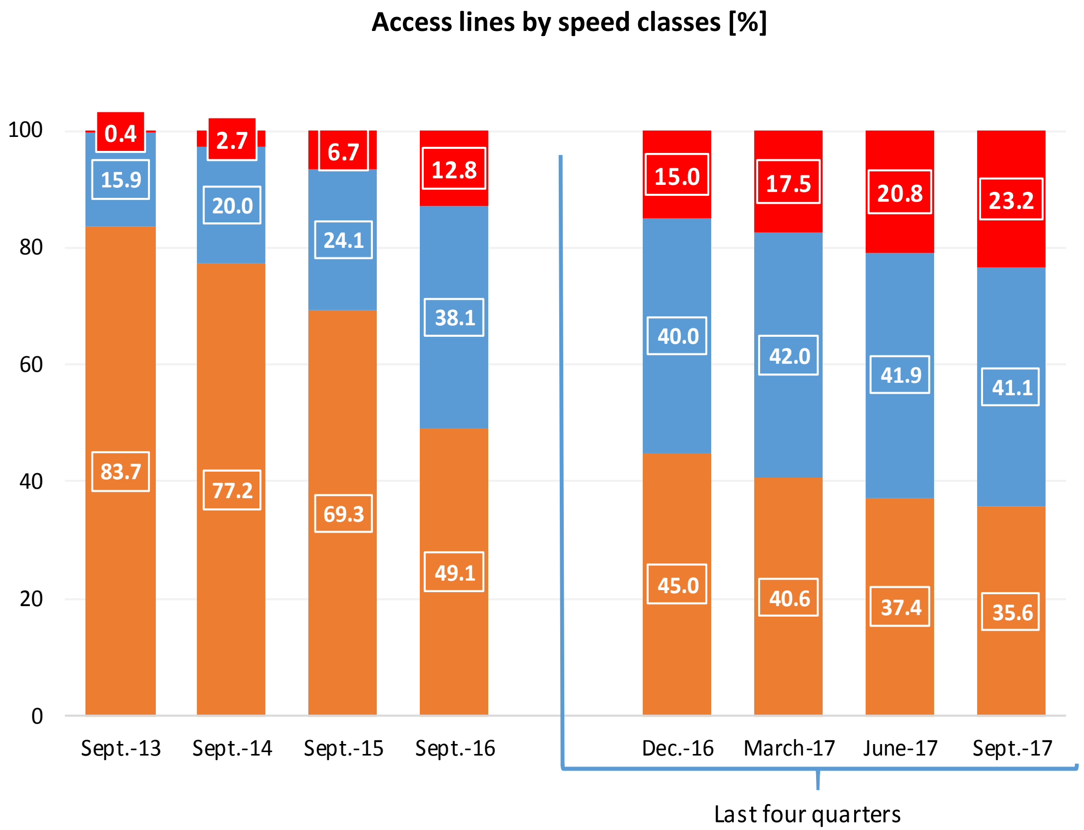


- Broadband lines have increased by about **950** thousand units YoY
- DSL lines (**11.47** million lines) have decreased by about **960** thousand units (YoY), now accounting for the **70%** of broadband lines
- Other technologies, in particular NGA lines, have increased by **1.90** thousand units YoY

- TIM's market share has reduced by **0.3** pp (YoY)
- Fastweb, Wind Tre and Vodafone, hold a similar market share (**14-15%**); but while for the first two operators the market share have shown a decrease (respectively **-0.1** pp and **-0.5** pp), for Vodafone it's possible to observe an increase (**+0.8** pp)

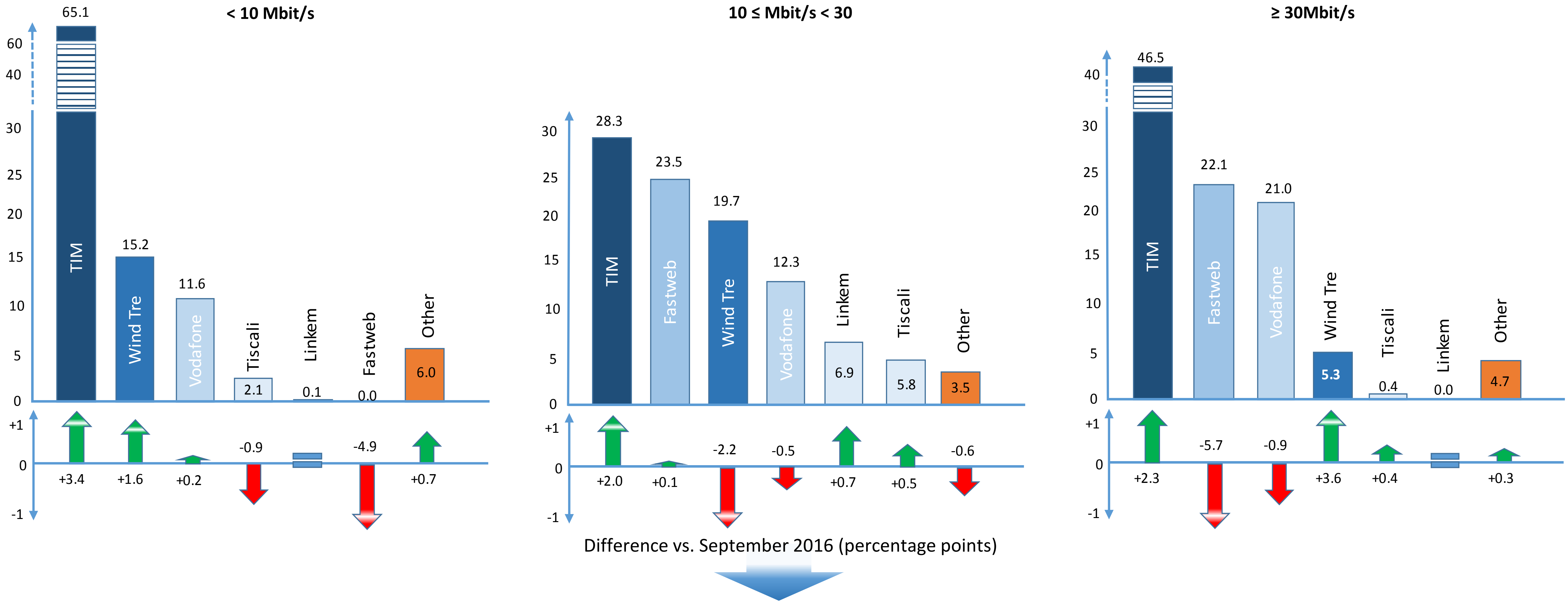
1.4 Broadband and ultrabroadband fixed lines by speed



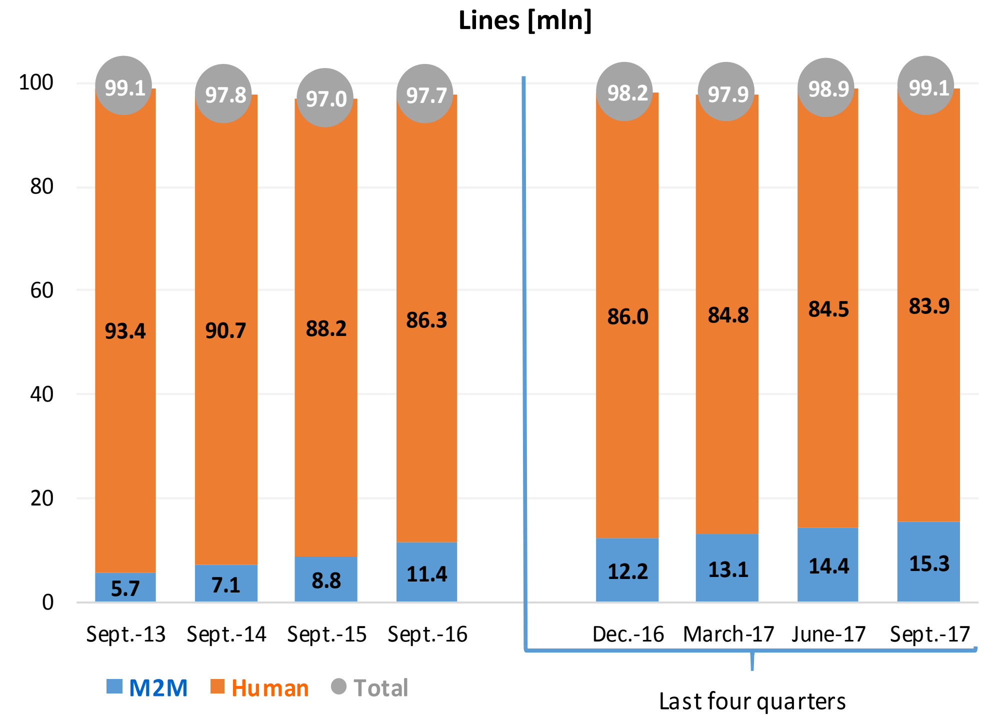


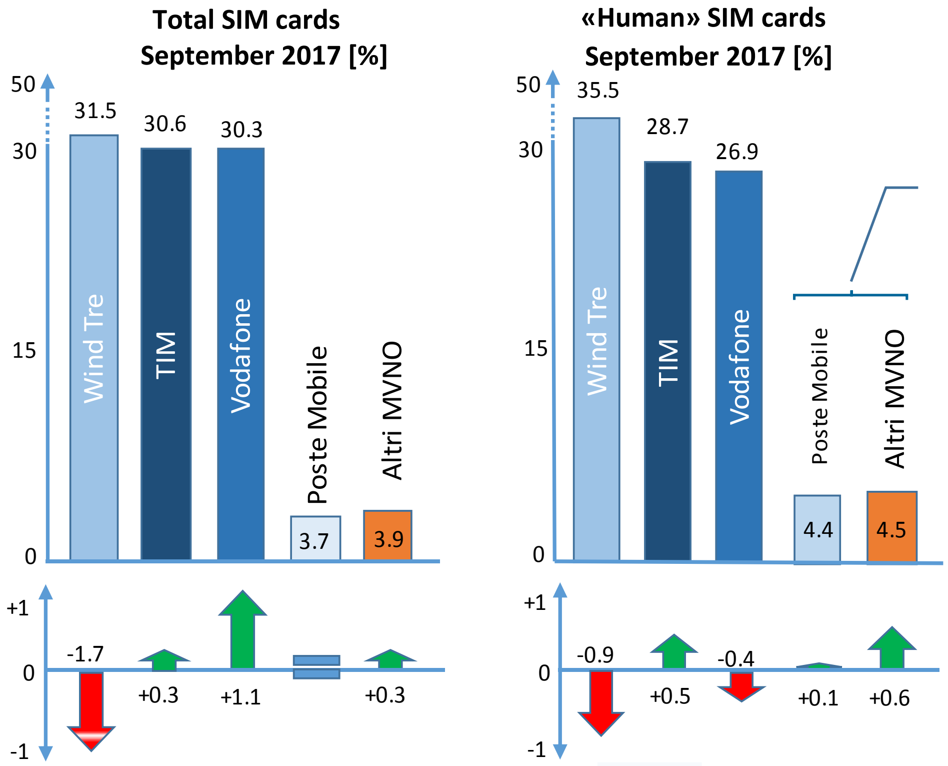
- Broadband lines faster than 10 Mbps have increased by 2.7 million units YoY and account for approximately **64.5%** of total broadband lines
- In particular, broadband lines faster than 30 Mbps have increased by 1.8 thousand units YoY and account for **23.2** of total broadband lines

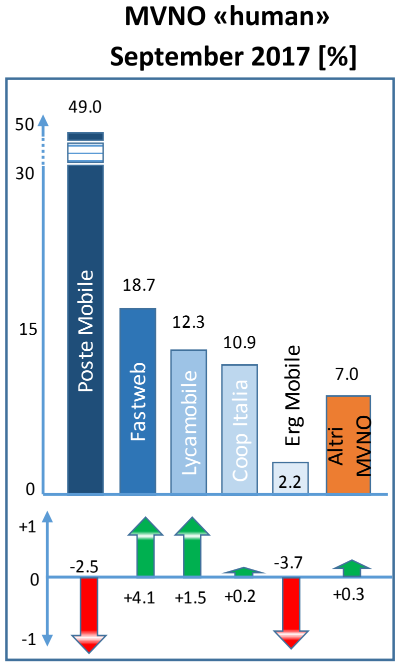
1.5 Broadband fixed lines by speed and operator (Sept. 2017) [%]



- In the segment below 10 Mbps, TIM, as a consequence of it's historical monopolistic position, still holds **65.1%** of lines
- In the segment between 10 Mbps and 30 Mbps, TIM has shown the most conspicuous growth YoY (**2** pp)
- TIM, Fastweb and Vodafone own together approximately **90%** of high-speed lines (faster than 30 Mbps)



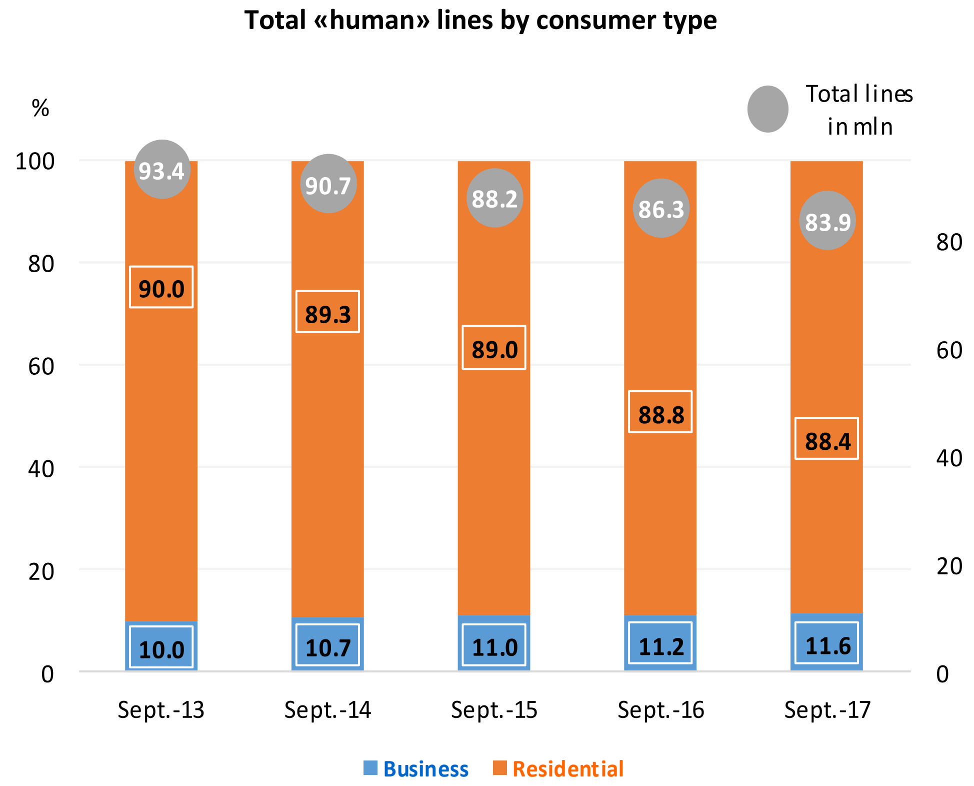


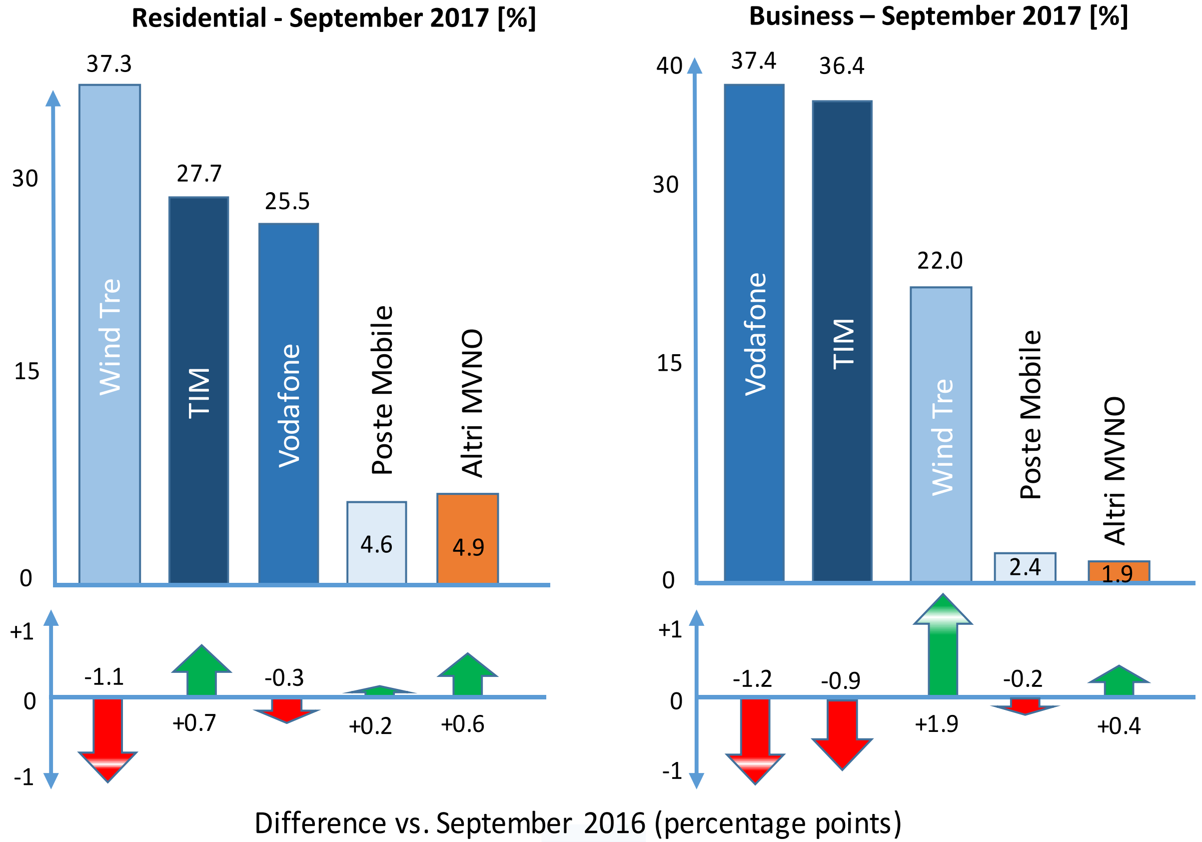


M2M SIM CARDS: Machine-to-Machine SIM refers to the technologies that enable devices and sensors or "things" (within the IoT) to communicate with each other – and with other Internet-enabled devices and systems. Even though M2M refers to 'non-human' communication, devices still should have an interchangeable protocol which is used for receiving and sending data. Connectivity is achieved by either inserting or embedding a **Machine-to-Machine SIM** in the device that is later configured with the home server where all the usage data is collected and can be analyzed for a company's beneficial purposes.

- On a yearly basis, mobile lines have increased by about 1.5 million units
- Over the last five years, «M2M» SIM cards have increased by 9.6 million units, now accounting for **15.3** million lines

- In terms of total SIM cards, Wind Tre's share is decreased by 1.7 pp (YoY), while TIM's and Vodafone's market shares have increased respectively by 0.3 pp and 1.1 pp
- For «Human» SIM cards, Wind Tre reached **35.5%** of lines (-0.9 pp YoY), TIM's market share have increased by 0.5 whereas Vodafone's share decreased by 0.4 pp (YoY)
- Among MVNOs, Poste Mobile holds a share of **49.0%**, followed by Fastweb (**18.7%**)

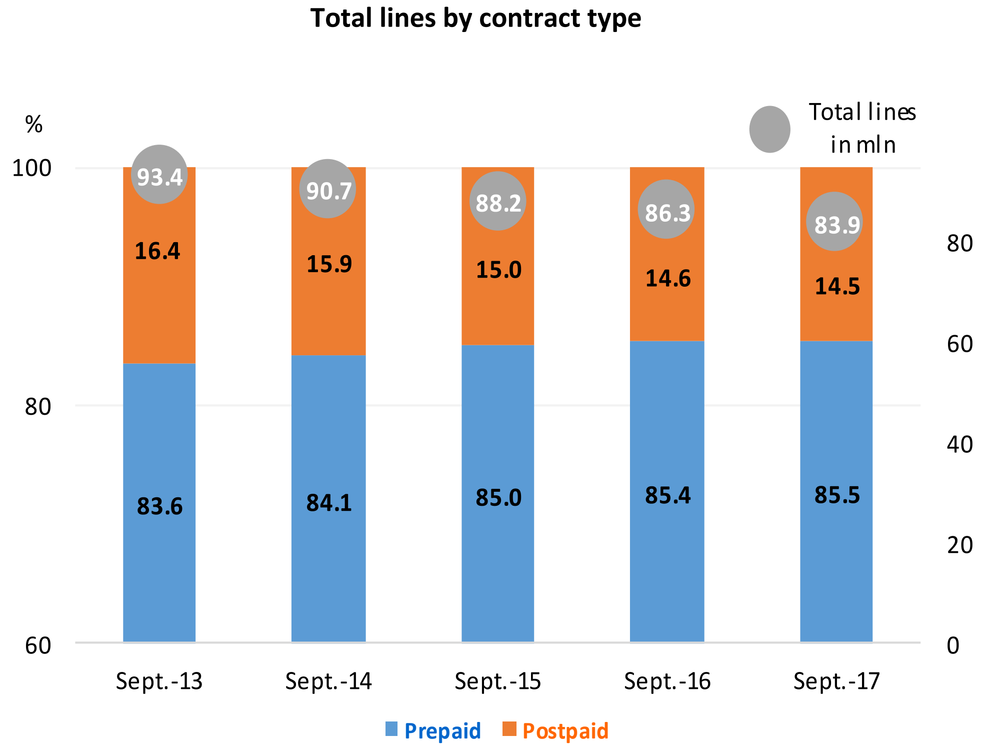


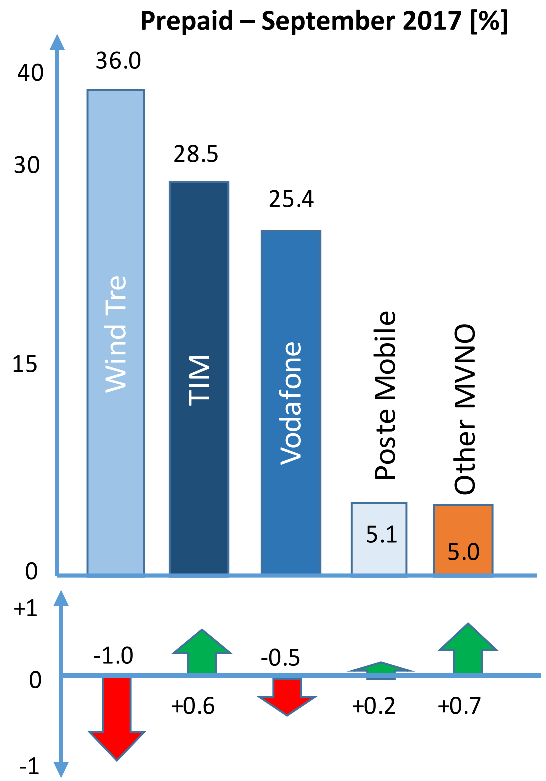


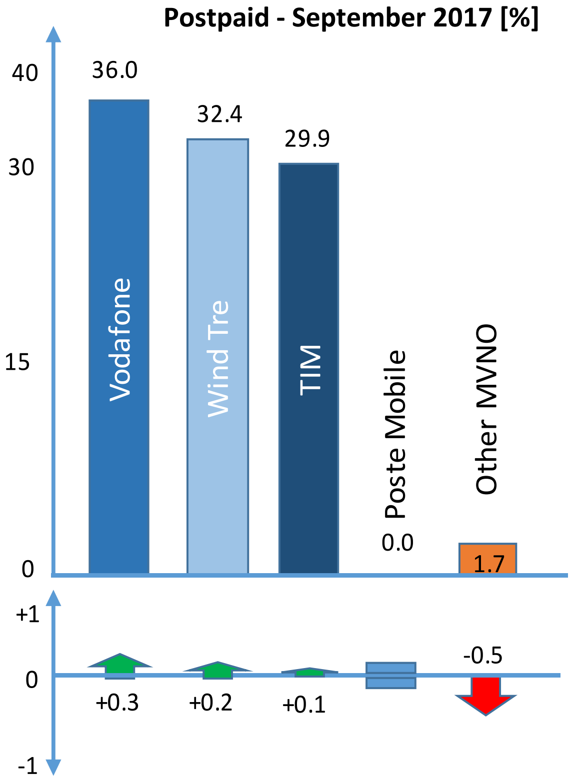
- Non residential SIM cards (**9.7** million units at the end of September 2017) have increased on a yearly basis by **55** thousand units, whereas residential SIM cards (**74.2** million units at the end of June 2017) have decreased by **2.5** million units (YoY)

- In the **residential** segment, Wind Tre's market share has reduced by **1.1** pp (YoY)
- In the **business** segment Vodafone is the first Italian operator with a market share of **37.4%**, despite a decrease of **1.2** pp

1.8 Mobile subscribers by type of contract





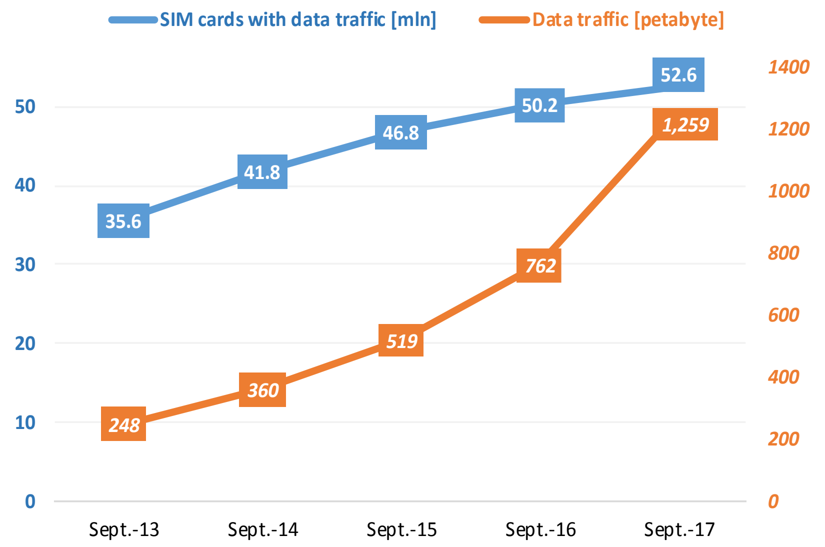


Differenza vs. September 2016 (punti percentuali)

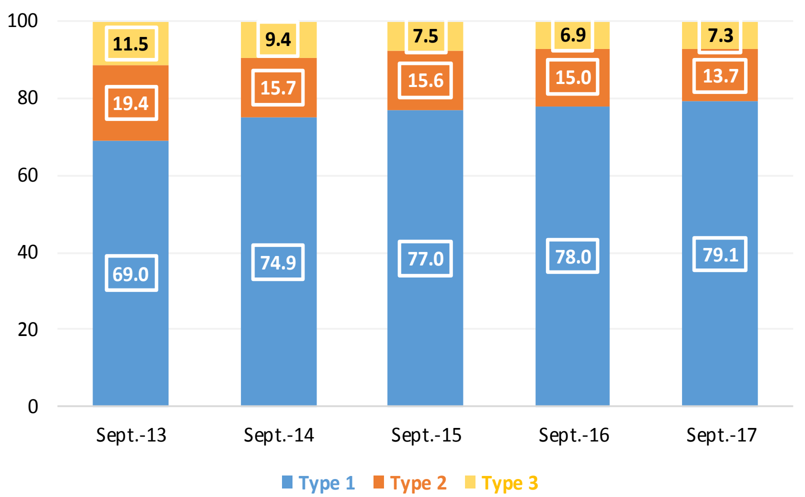
- At the end of September 2017, **prepaid** SIM cards reached **71.7** million units (**85.5%** of total lines), with a decrease of 2 million units YoY
- At the end of September 2017, **postpaid** SIM cards reached **12.2** million units (**14.5%** of total lines), with an decrease of 0.4 million units YoY

- In the **prepaid** segment, TIMS's (+0.6 pp), Poste Mobile's (+0.2 pp) and other MVNO (+0.7 pp) market shares have increased, whereas Wind Tre's (-1 pp) and Vodafone's (-0.5 pp) market shares have decreased (YoY)
- In the **postpaid** segment, with a share of **36 %,** Vodafone has strengthened its leadership (+0.3 pp YoY)

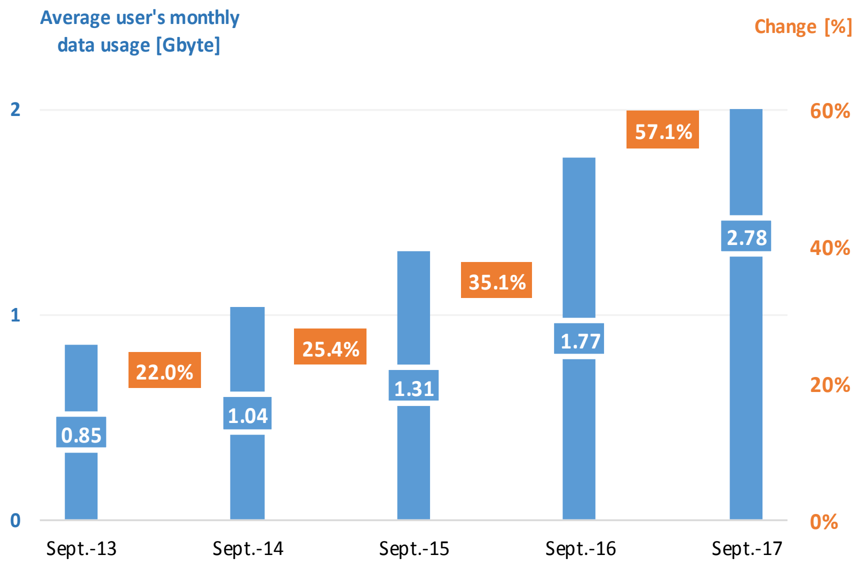
Data traffic since the beginning of the year



SIMs with data traffic by contract type [%]



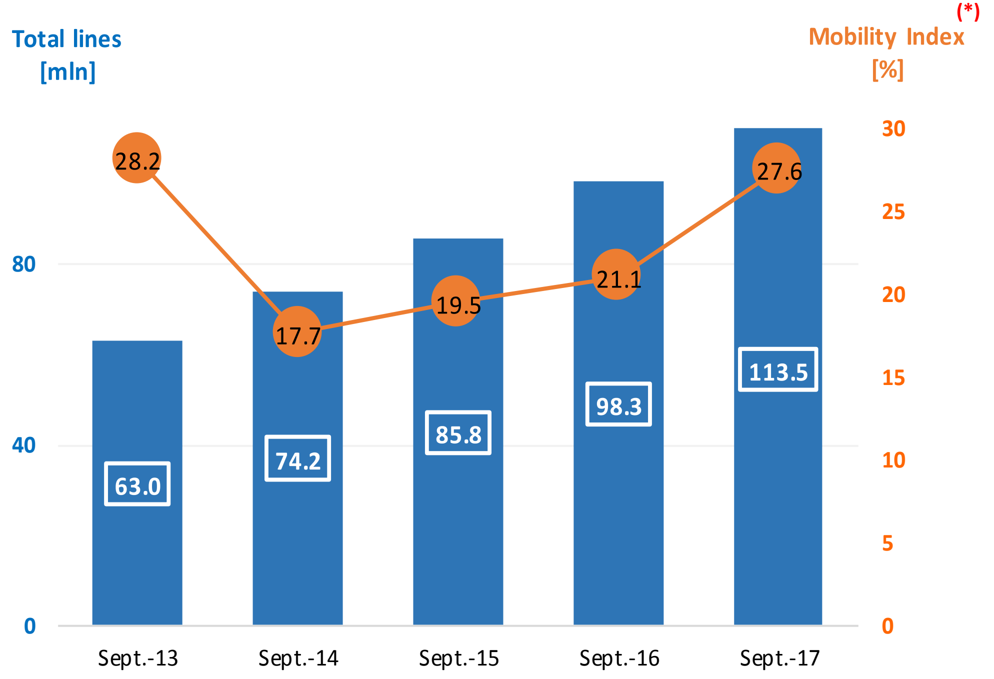
Average mobile data consumption



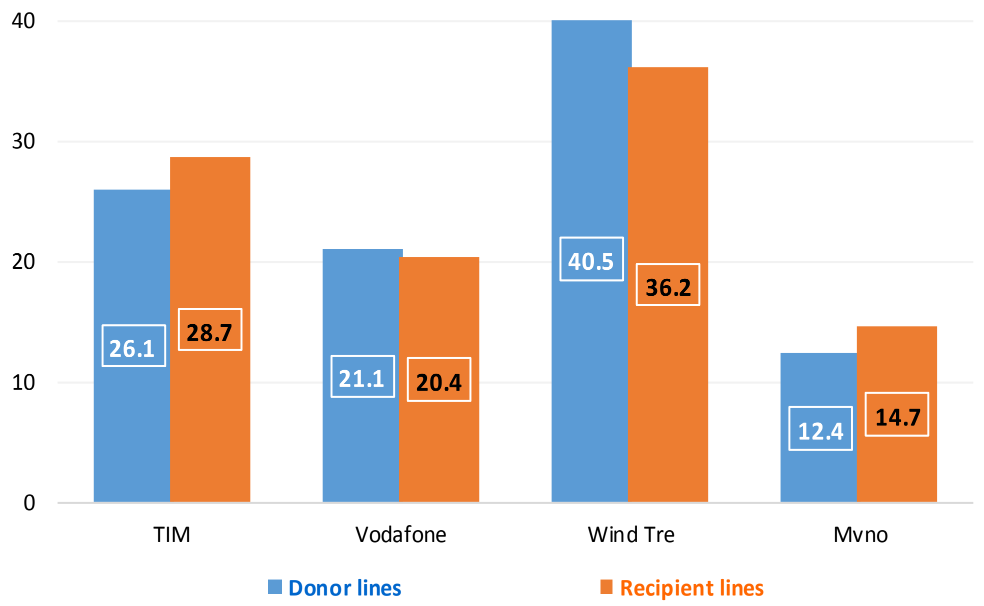
According to European Commission definitions (CoCom):
Type 1: "dedicated data subscriptions for add-on data package to a voice service requiring an additional subscription"
Type 2: "dedicated data subscriptions for stand-alone services"
Type 3: "actual usage of standard mobile subscriptions"

- SIM cards with data traffic have increased over the last year from **50.2** to **52.6** million units, with a growth rate of **4.8%**
- Since September 2013, the number of SIM cards with data traffic has increased from **34.7%** to **62%** of the «human» SIM cards
- In September 2017, data traffic showed a **65.2%** increase as compared to September 2016
- At the end of September 2016, the average mobile data consumption per smartphone increased by **57.1%**, from 1.77 to 2.78 Giga byte per month

Number portability (since the beginning of the year)



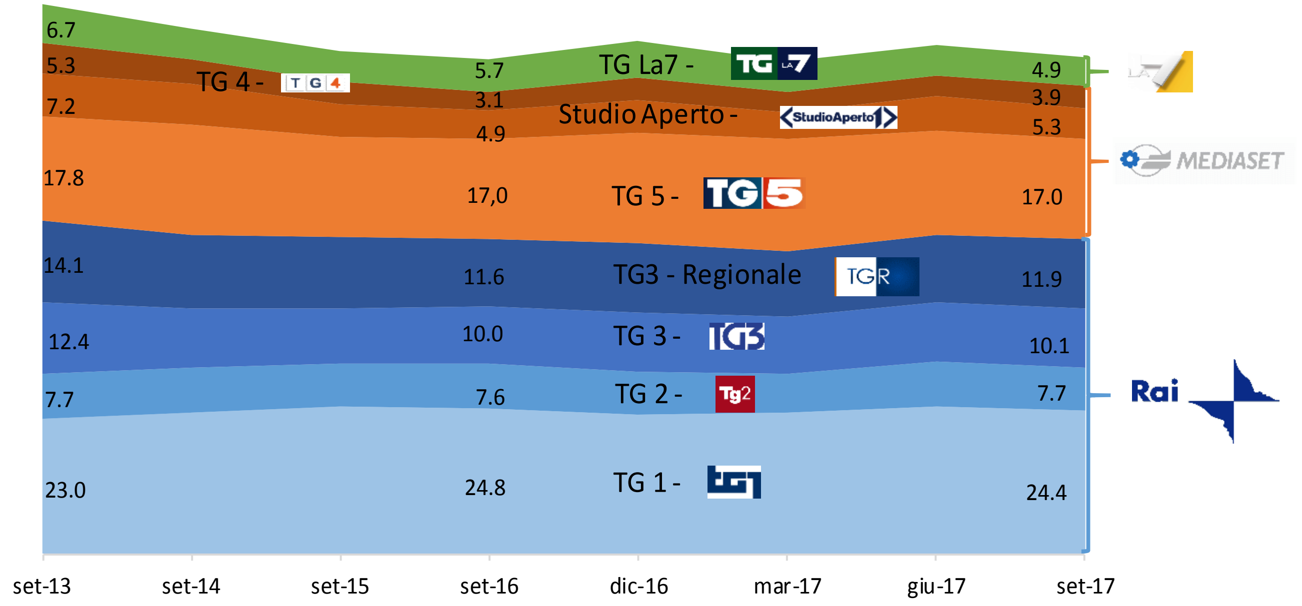
Distribution of donor and recipient lines – September 2017 [%]



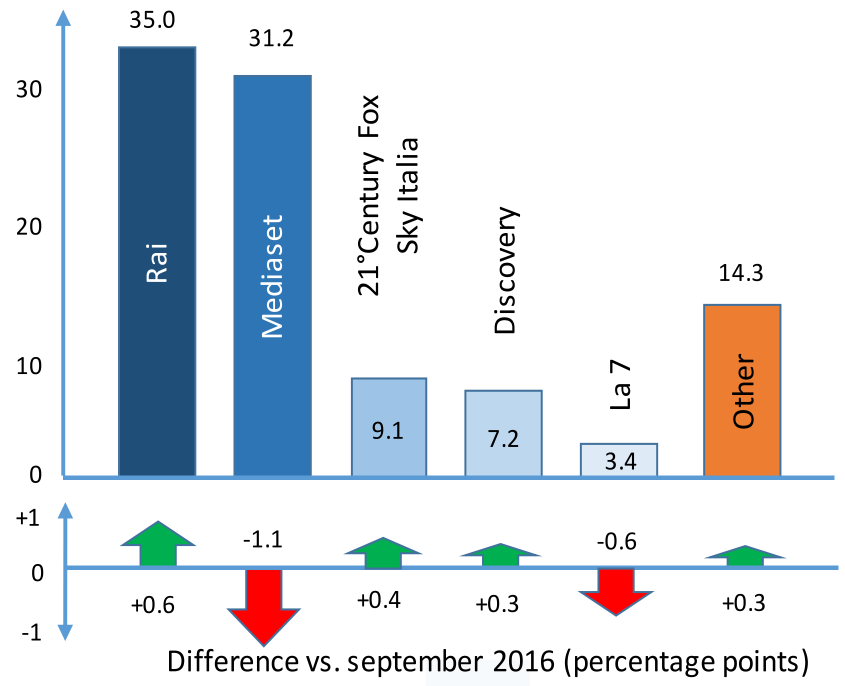
- At the end of September 2017 the total amount of mobile number portability operations exceeded **113** million
- On a yearly basis, the net «donating-recipient» balance has improved for TIM (**+401** thousand lines) and MVNO (**+353** thousand lines), whereas it has worsened for Wind Tre (**-658** thousand lines) and Vodafone (**-96** thousand lines)
- At the end of September 2017, the «Mobility Index»(*) was **27.6%**, slightly increasing as compared to the previous years

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

Evening news programs audience on an average day - (Sept. 2013 – Sept. 2017) [%]



Audience on an average day – September 2017 [%]

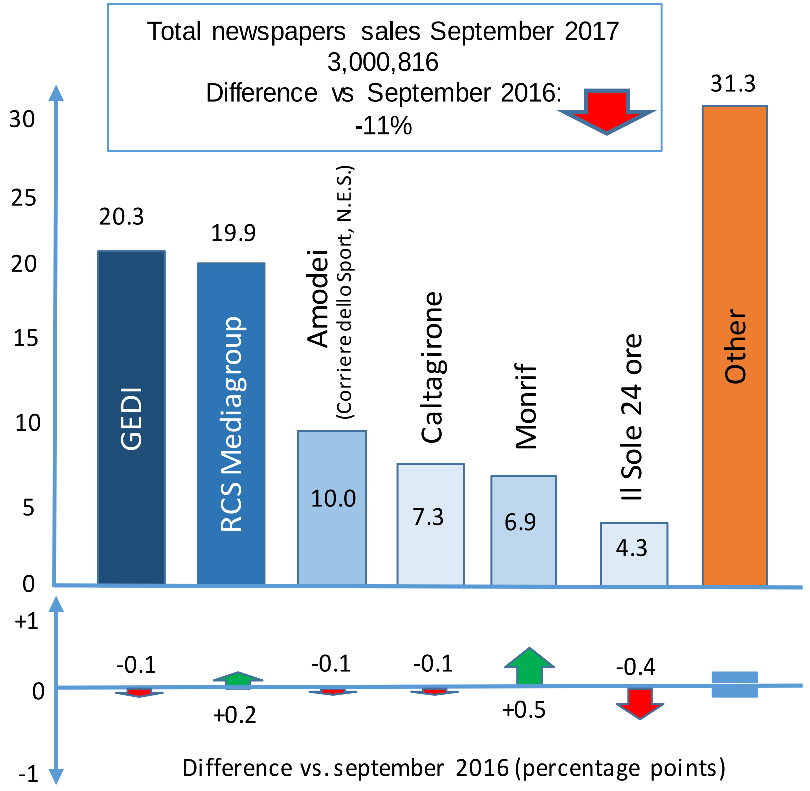


Source: Agcom elaboration on data from Auditel

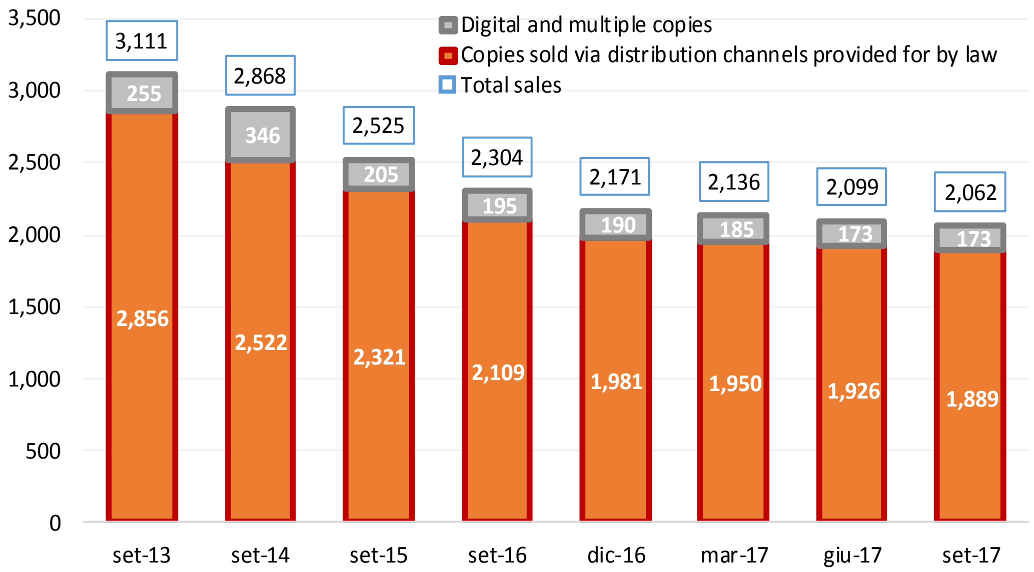
- Over the 2013-2017 period, the evining news program audience of the two most important players,Tg 1 and Tg5, has increased for the former (from 23% to 24.4%), whereas it decreased for the latter (from 17.8% to 17.0%)

- Rai is still the first operator (**35%**), with a growth of **0.6** pp (YoY); similarly, Mediaset holds **31.2** of share, but its share has shown a decrease of **1.1** pp (YoY)
- In the same period, 21 Century Fox / Sky Italia and Discovery have increased the audience (respectively **+0.4** pp for the former and **+0.3** pp for the latter), whereas the audience of La7 has experienced a decrease of **0.6** pp
- The audience of smaller operators (**14.3%**) has increased slightly as compared to the previous year

Newspapers' sales by editorial groups – September 2017 [%]



Newspapers' sales by type of distribution channels – September 2017 [%]

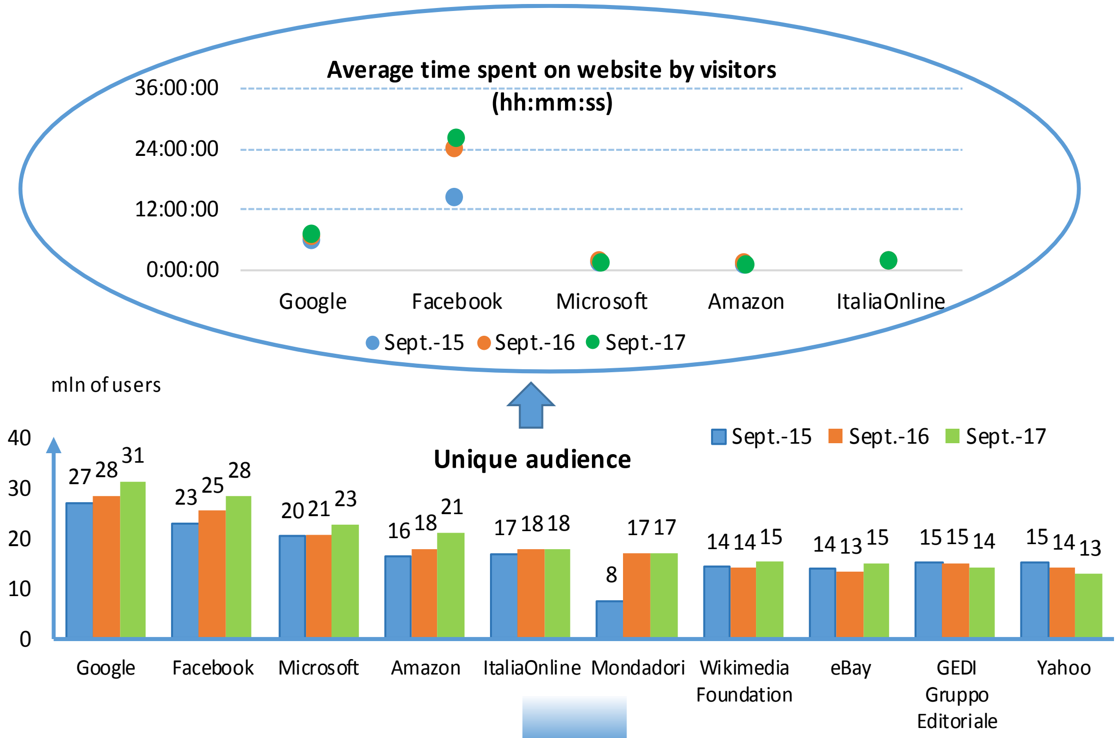


Source: Agcom elaboration on data from ADS and IES

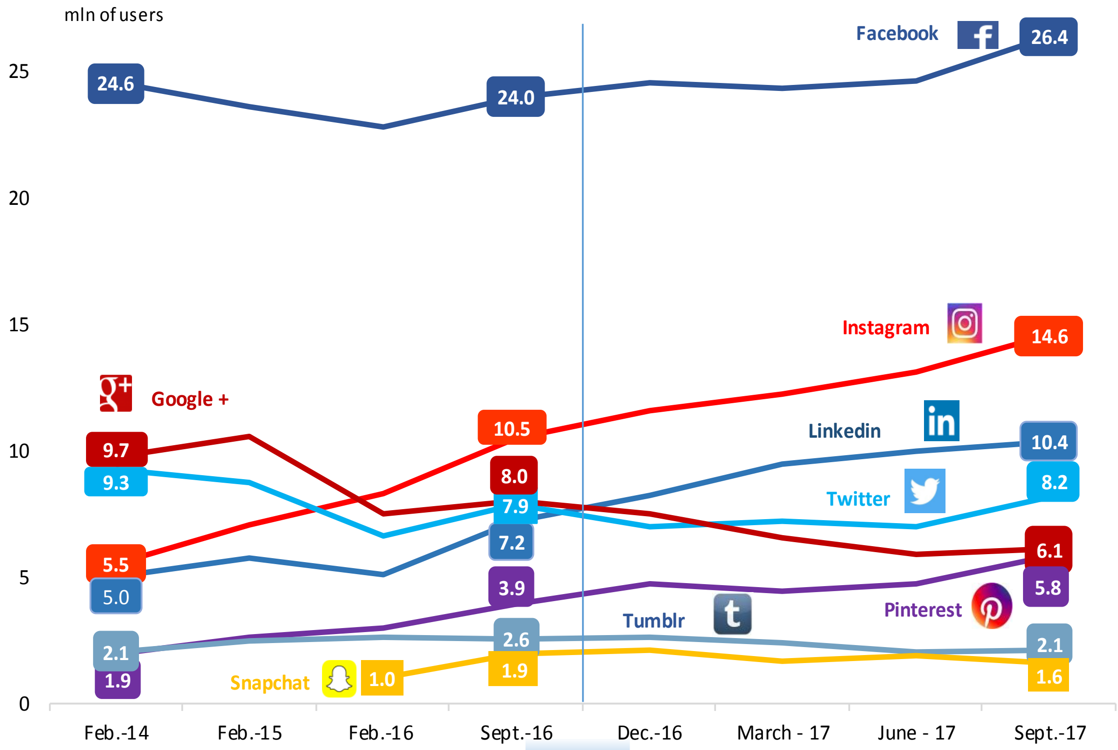
- Newspapers' sales showed a **11%** reduction YoY
- GEDI and Rcs Mediagroup currently share the leadership of the market with a similar share

- Printed newspaper sales show a structural reduction of **-33.7%** from September 2013
- In September 2017, digital copies remains stable compared to September 2016, whereas, compared to September 2013, digital copies have decreased by **32.1%**

Audience on an average day and average time spent on website by visitors - Sept. 2015, Sept. 2016 and Sept. 2017 - [%]



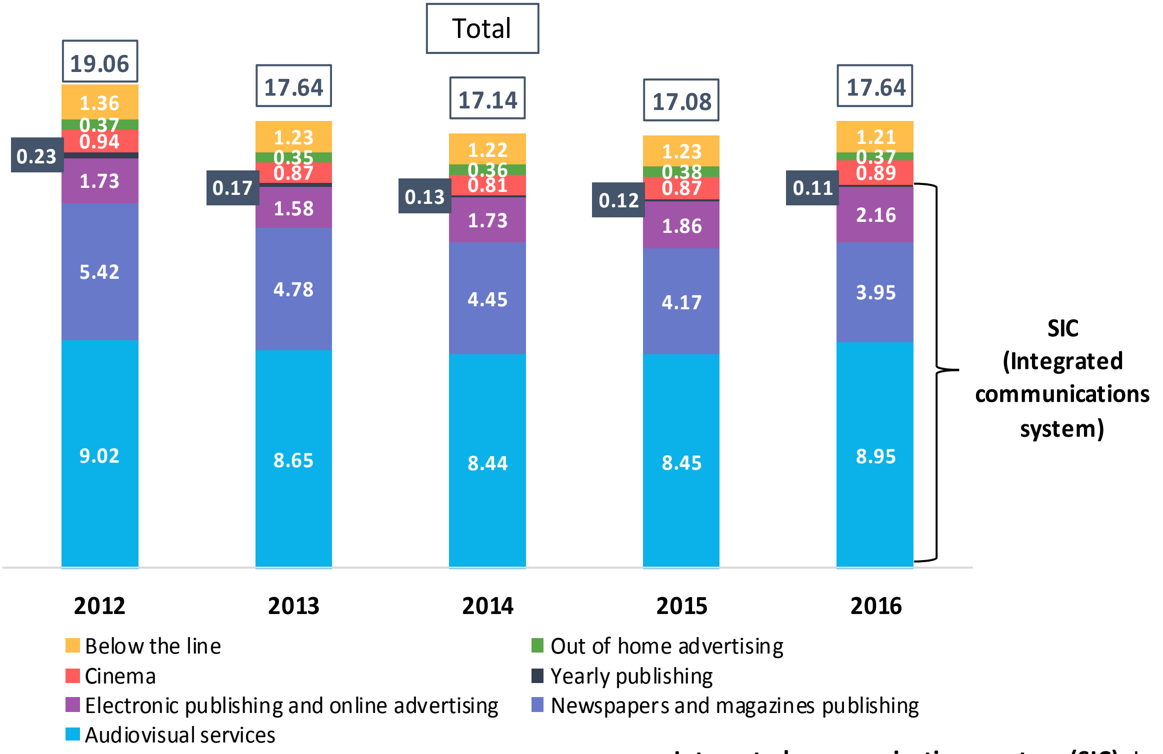
Audience of the major social network – Sept. 2017

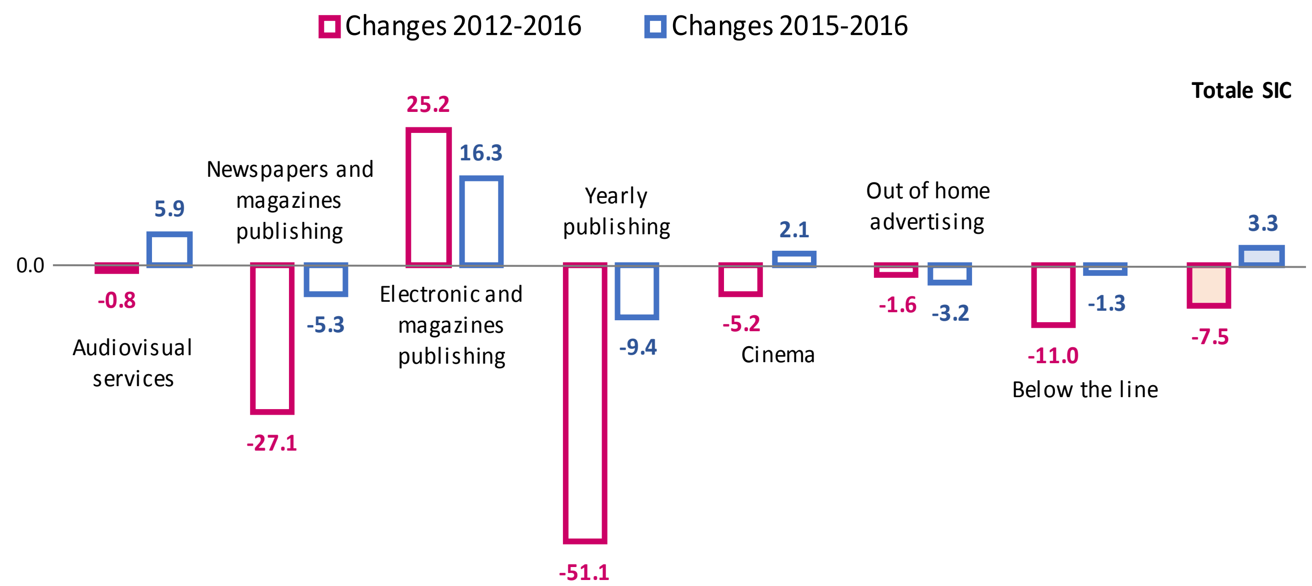


Source: Agcom elaboration on data from Audiweb

- Google and Facebook parent entities (brands aggregation) stay the leaders in terms of unique reach, confirming a trend of steady growth for several years now
- The main portals to web navigation show the higher active reach
- In September 2017, Facebook nearly doubled the average time spent on its web page compared to September 2015 (from about 14h:08mm to 26h:05mm)

- Among social networks', the daily audience of Facebook is almost double that of Instagram, the second most relevant social network
- Instagram recorded the highest increase in daily audience: from 5.5 to 14.6 mln of unique users (+165.5%) between February 2014 and September 2017

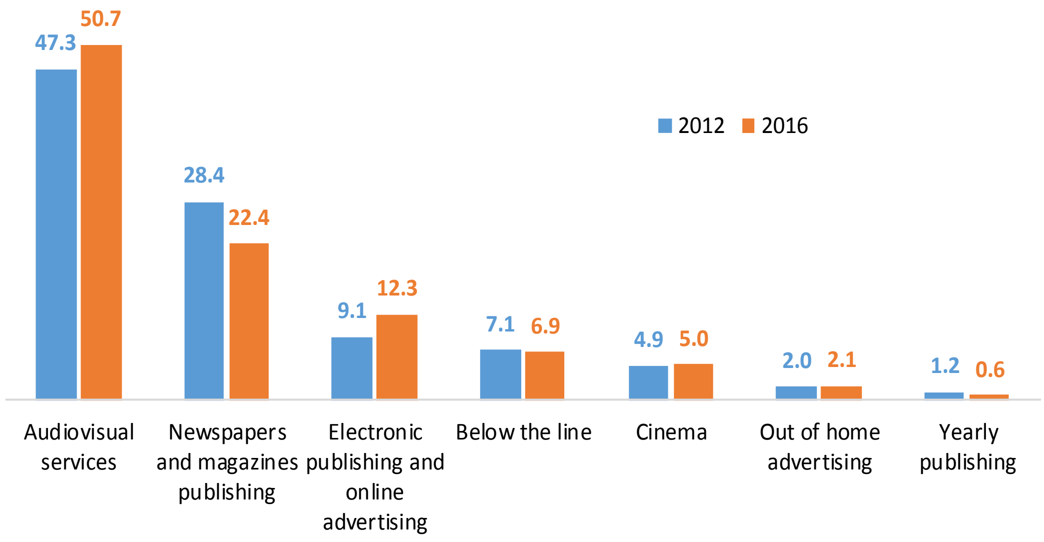




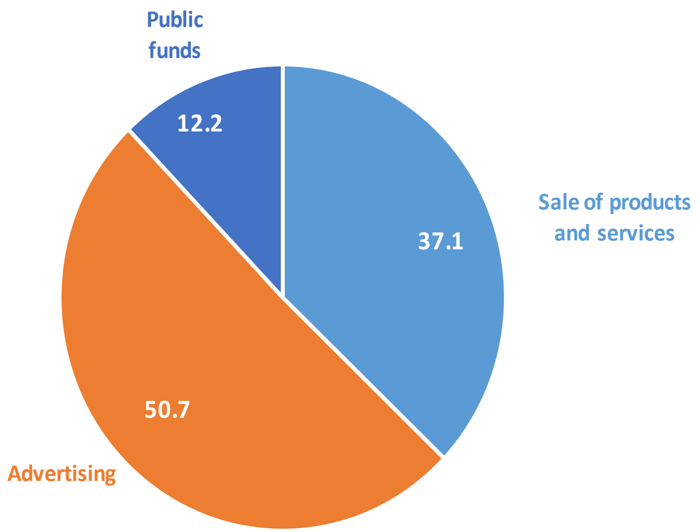
Integrated communications system (SIC): Law No. 112 of the 3rd of May 2004, regarding the reform of the Italian audiovisual system (so called «Gasparri law»), introduces the SIC as a measure of the total amount of communication system revenues in order to ascertain that no operator earns more than the limit of 20% of the total revenues

- In 2016, the SIC main areas' revenues decrease by **7.5%** as compared with 2012, however, as compared with 2015, there was an increase of **3.3%**
- Newspapers' and magazines' revenues and yearly publishing' revenues have experienced the greatest decrease during the period 2012 – 2016, down **27.1%** and **51.1%**, respectively

Proportion of SIC's revenues by economic areas [%]



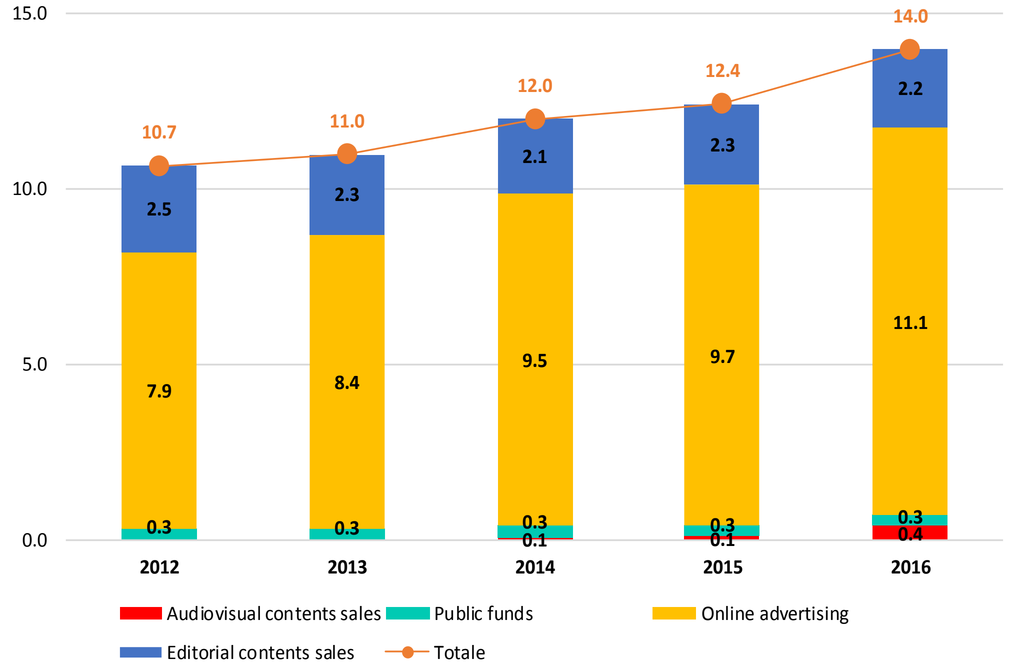
SIC by source type [%]



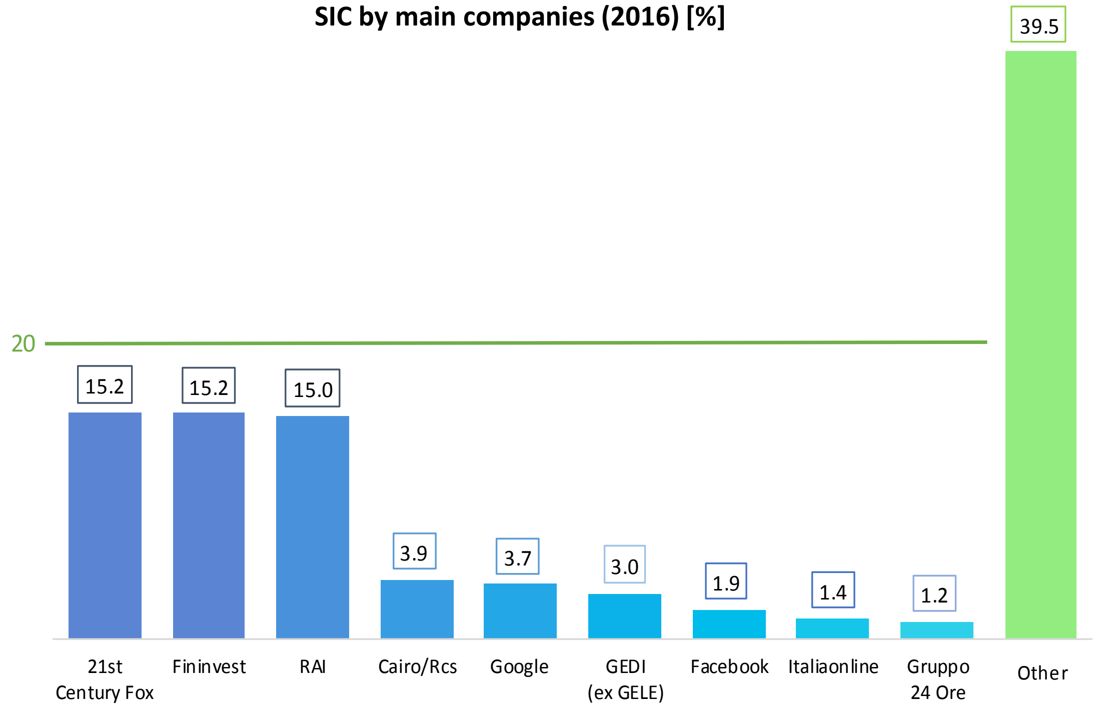
- Audiovisual services accounts for nearly **51%** of SIC revenues, and represent the main component
- In the last five year, the relevance of newspaper and magazine, in terms of revenues, decreased from **28.4%** in 2012 to **22.4%** in 2016
- Electronic publishing and online advertising represents **12.3%** of SIC's revenues, with a growth of **3.2** pp compared to 2012

- As regards the source of the SIC areas', advertising revenues accounts for nearly **51%** of SIC revenues
- The sale of products and services account for **37%** of SIC revenues

Influence of the digital component on the total SIC's revenues [%]



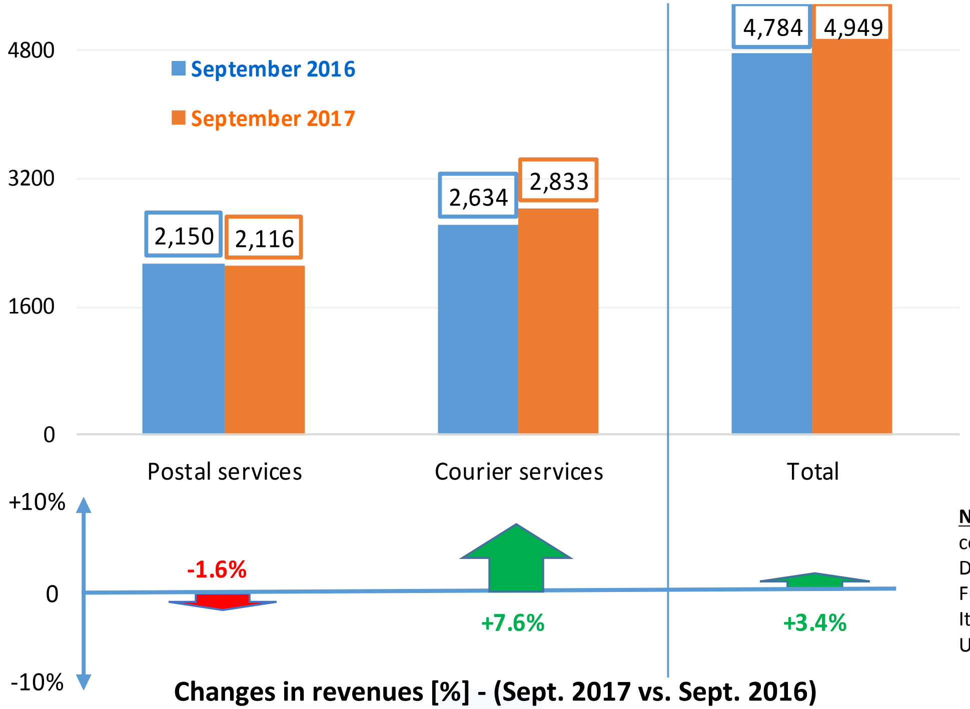
SIC by main companies (2016) [%]



- The digital component relevance rise to **14%** of SIC revenues (**+2.2** pp compared to 2012)
- In 2016, among the digital components, online advertising accounts for **1.95 bln €** (**+17.7%** compared to 2015), thanks mainly to the growth of advertising sales on digital platforms

- As the figure shows, none of the companies included in the SIC as of 2016 has breached the 20% threshold
- 21°Century Fox (Sky), Fininvest and RAI, are the market leaders with a market share of nearly **15%**
- In terms of market concentration, the first nine corporate groups account for **61%** of the SIC market

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



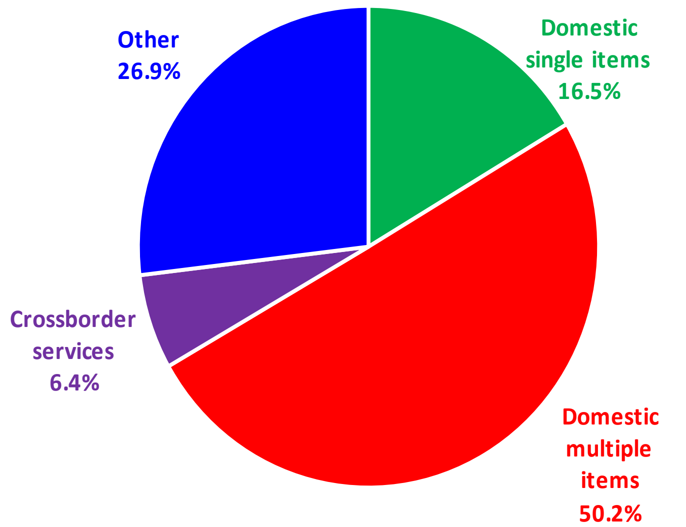
Changes in revenues [%] - (Sept. 2017 vs. Sept. 2016)

Note: The figures relate to the following companies: **1)** Bartolini, **2)** Citypost, **3)** DHL Express, **4)** Federal Express Europe, **5)** Fulmine Group, **6)** Nexive, **7)** Poste Italiane, **8)** SDA, **9)** TNT Global Express, **10)** UPS, **11)** GLS Italy

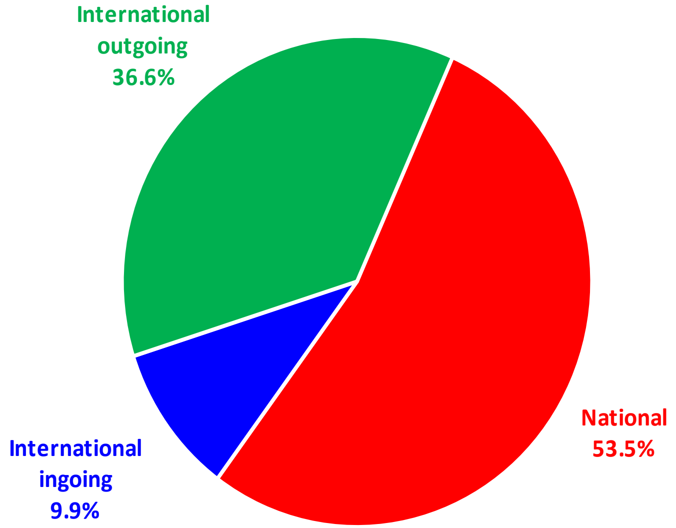
- At the end of September 2017, overall revenues are about **4,949** million of €, with an increase of **3.4%** YoY
- YoY, postal services' market has shown a decline in revenues (**1.6** pp), whereas the courier services' market has shown a growth in revenues (**9.3%**)
- The revenues of courier services' market, driven by growth in e-commerce volumes, shows an increase of **7.6%** (YoY)

Revenues by source type [%]

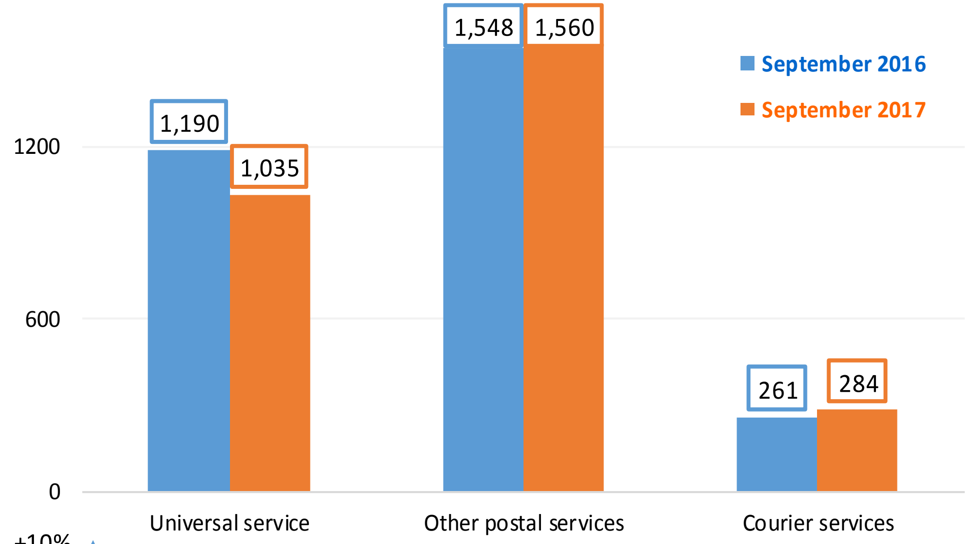
Postal services



Courier services



Volumes since the beginning of the year [mln of units]



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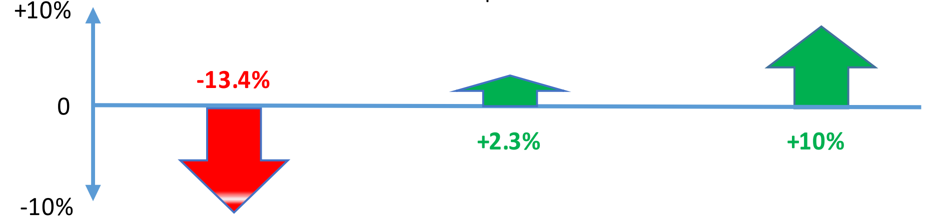
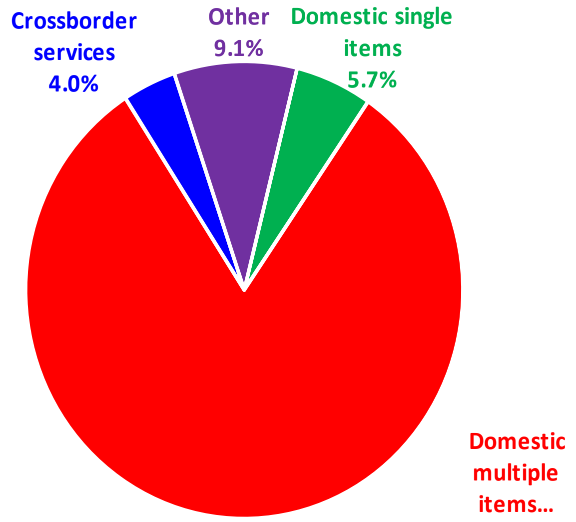


Changes in volumes [%] - (Sept. 2017 vs. Sept. 2016)

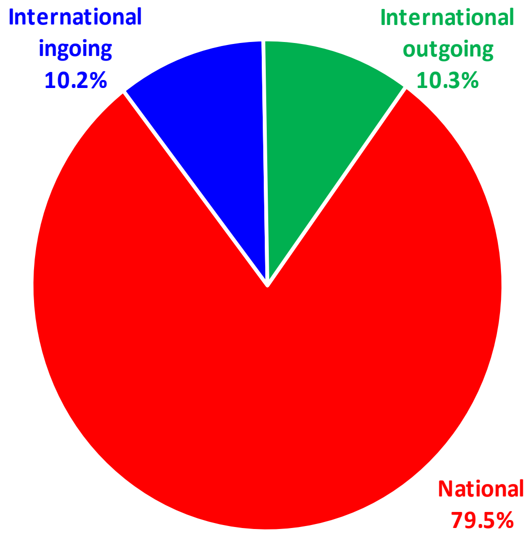
- At the end of September 2017, volumes of universal services amount to **1,035** million units, showing a contraction of **13.1%** YoY
- Other postal services have shown a **2.3%** increase in volumes YoY
- As for the courier services segment (**284** million units from the beginning of the year), volumes have increased by about **10%**YoY

Volumes by source type [%]

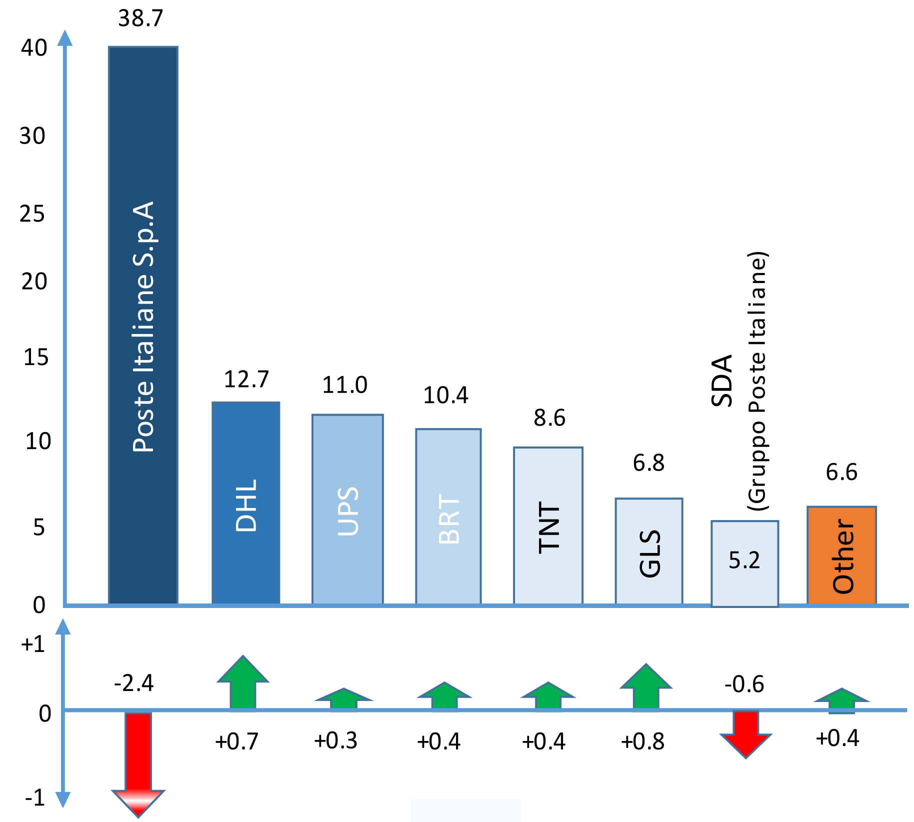
Postal services



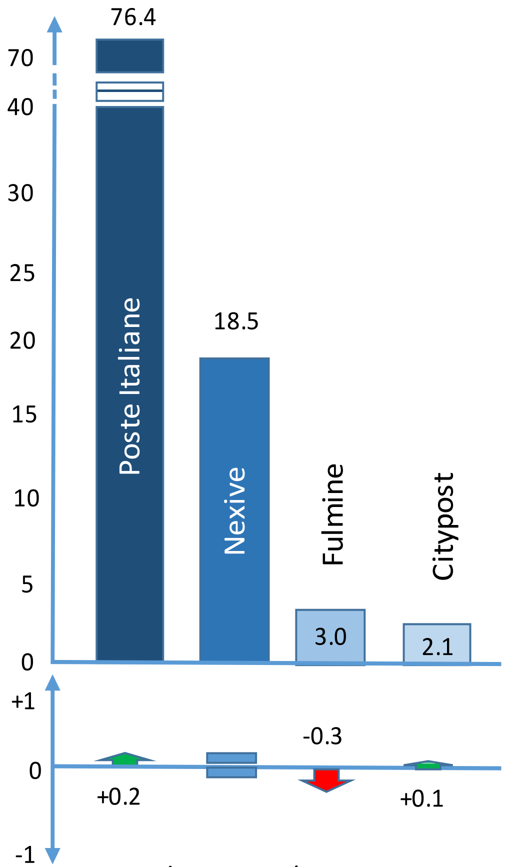
Courier services



Total postal services (including express couriers)]

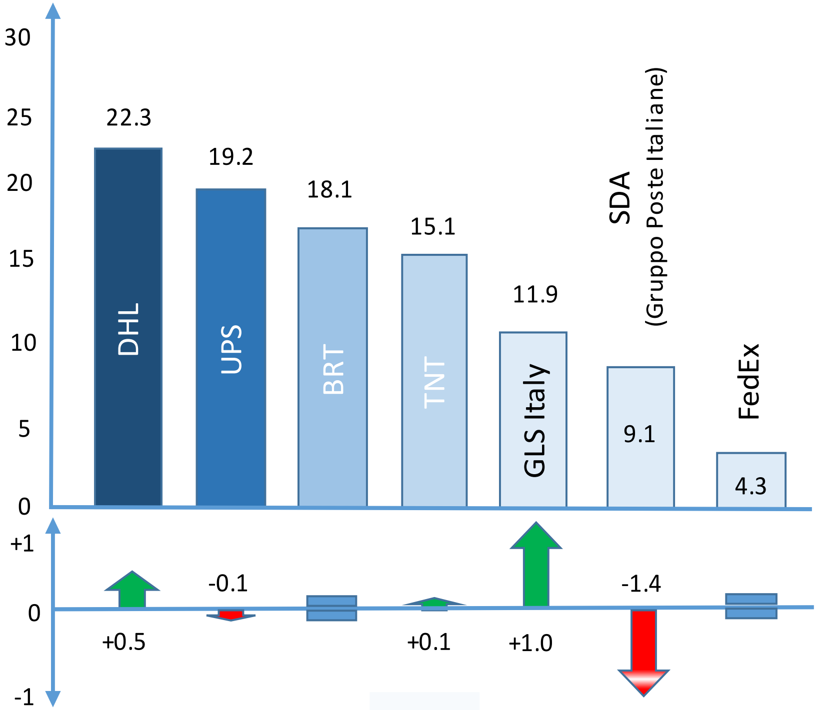


Services not belonging to universal postal services category



Difference vs. September 2016 (percentage points)

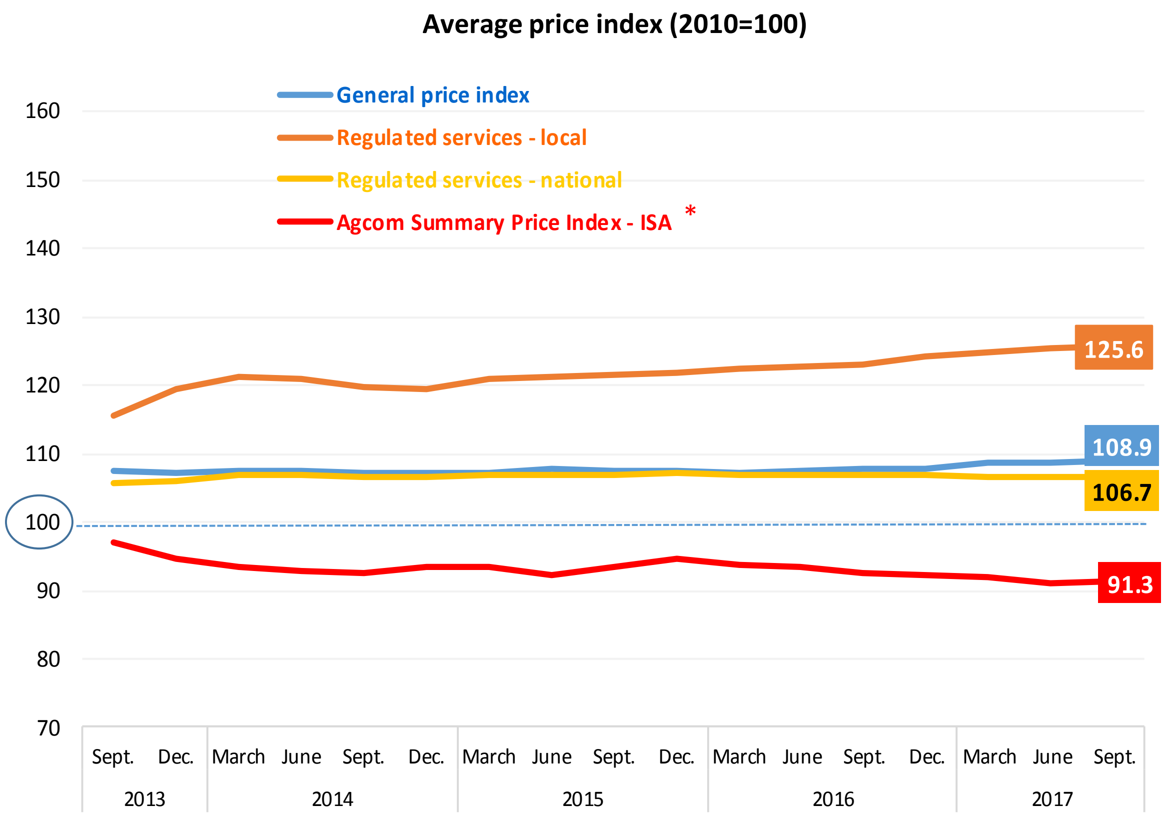
Express couriers

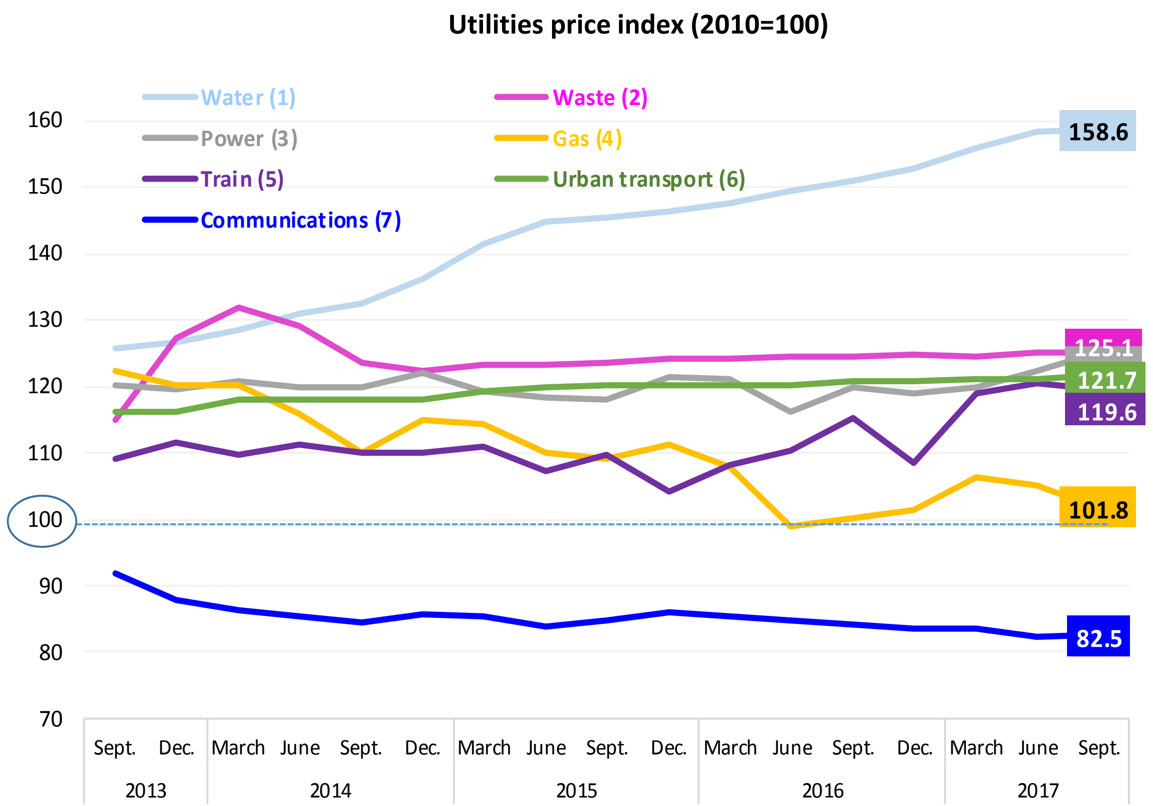


- Poste Italiane is still the first postal operator, but its share has shown a decrease of **2.4** pp (YoY)
- The aggregate market shares of DHL, UPS, BRT and TNT is **43%**, increasing by **1.8** pp compared to September 2016

- In the segment of services not belonging to universal postal services, Poste Italiane, as a consequence of it's historical monopolistic position, still holds **76.4%**

- The market share of express and courier service providers in the first half of 2017, show a stronger competition among operators
- The differences between market shares are less marked than other segments



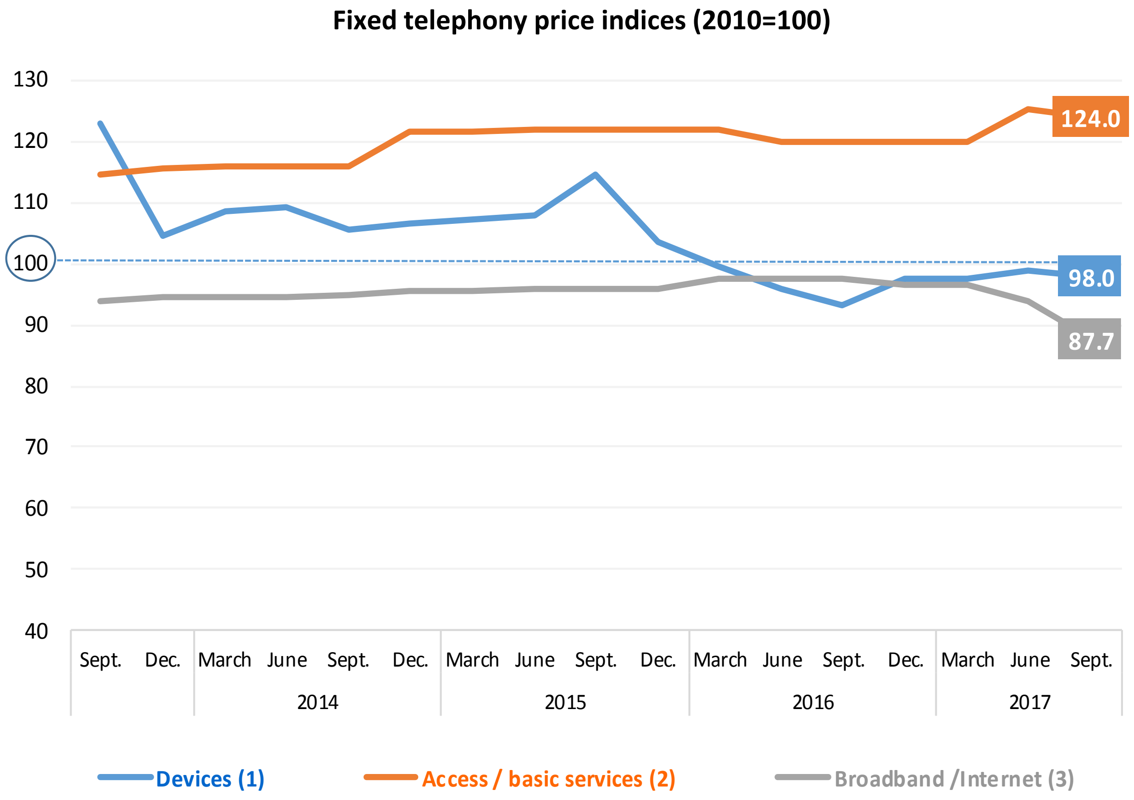


Istat Services Codes:

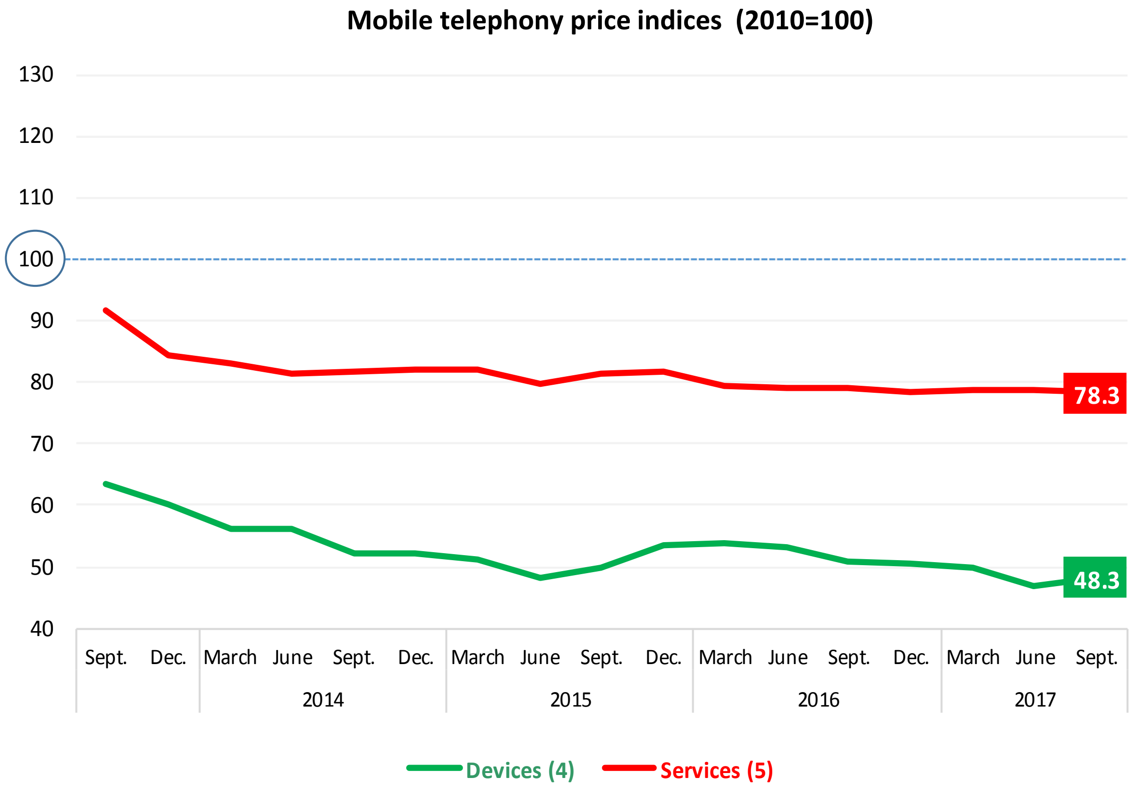
(1)	04 41	(5)	07 31
(2)	04 42	(6)	07 32 11
(3)	04 51	(7)	08
(4)	04 52		

* 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.

4.2 Mobile and fixed telephony price indices

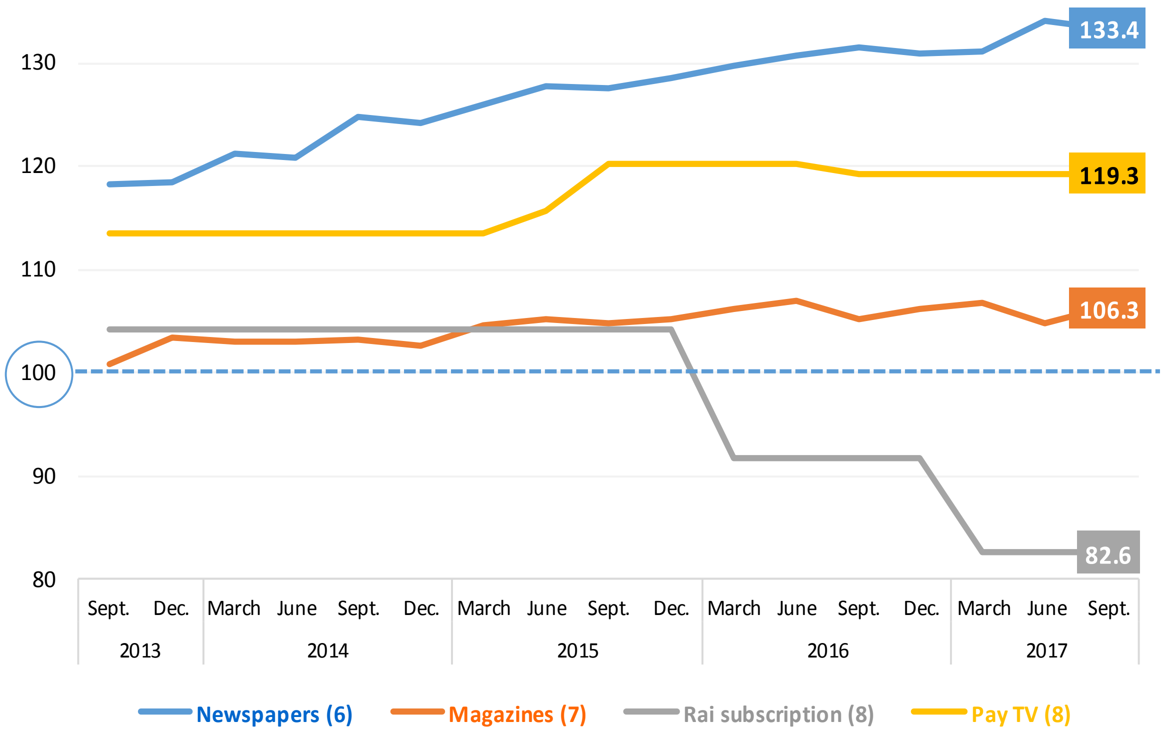


Istat services codes:
(1) 08 20 10
(2) 08 30 10
(3) 08 30 30



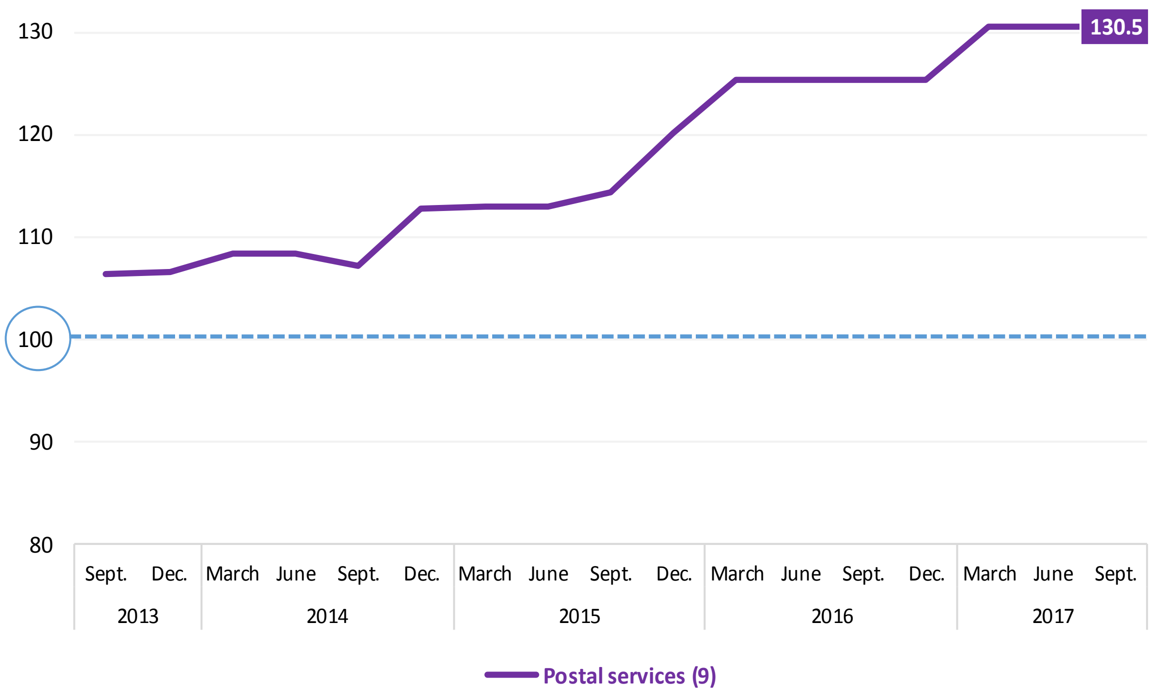
Istat services codes:
(4) 08 20 20
(5) 08 30 20

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

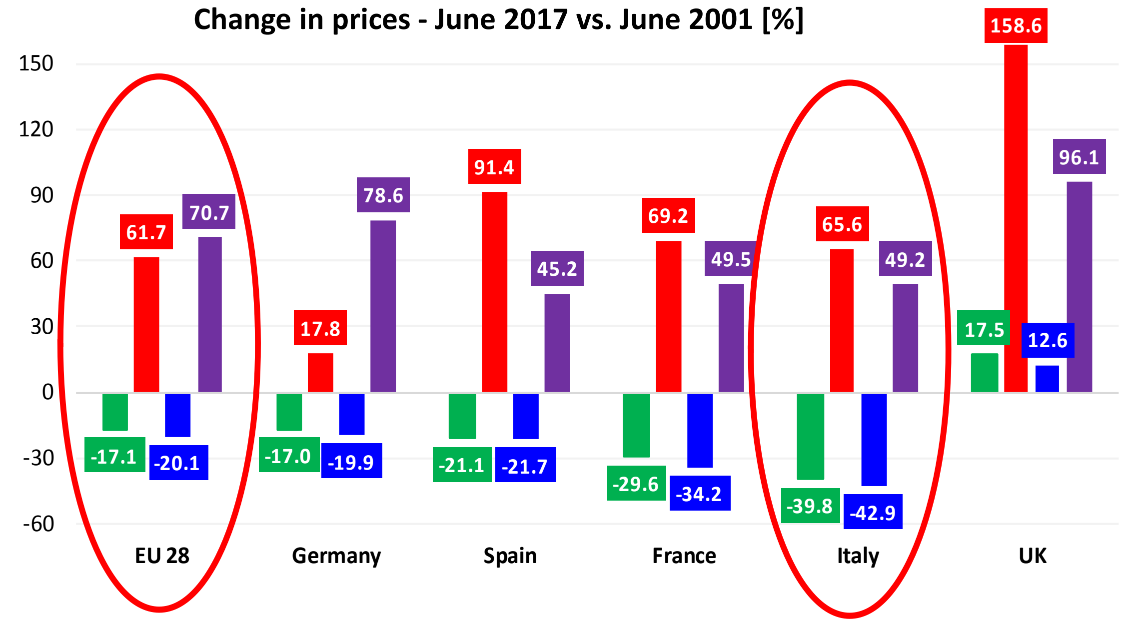


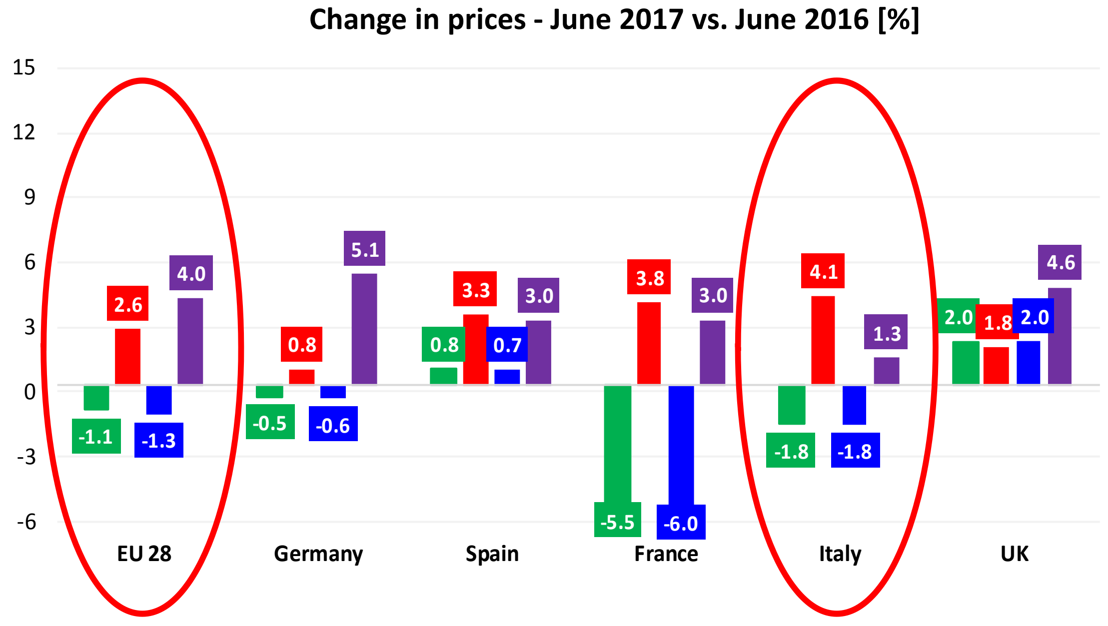
Istat services codes :
(6) 09 52 10
(7) 09 52 20
(8) 09 42 30

Postal services price index (2010=100)



Istat services codes
(9) 08 10 00





Source: Agcom elaboration on data from Eurostat

Communications   Postal services   TLC - services and equipments   Newspapers and periodicals

- Since September 2001, in Italy the communications price index has decreased at a faster pace than the EU average (**-42.9** and **-20.1** pp respectively), thanks primarily to the decrease of prices of devices
- Since June 2001, the Italian inflation rate of postal services (**+65.6** pp) has increased slightly more than the EU average increase (**+61.7** pp); Germany showed a lower increase (**+17.8** pp), whereas UK showed the highest increase (**+158.6** pp)
- Since June 2001, in Italy the newspapers and periodicals price index has increased (**+49.2** pp) less than the EU average (**+70.7** pp)

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