

**TELECOM ITALIA ANALYST & INVESTOR BRIEFING**  
**2007 Results & Strategic Guidelines**

# **Domestic Business Outlook**

**OSCAR CICHETTI**

MARKET OVERVIEW 2008-2010

## **Safe Harbour**

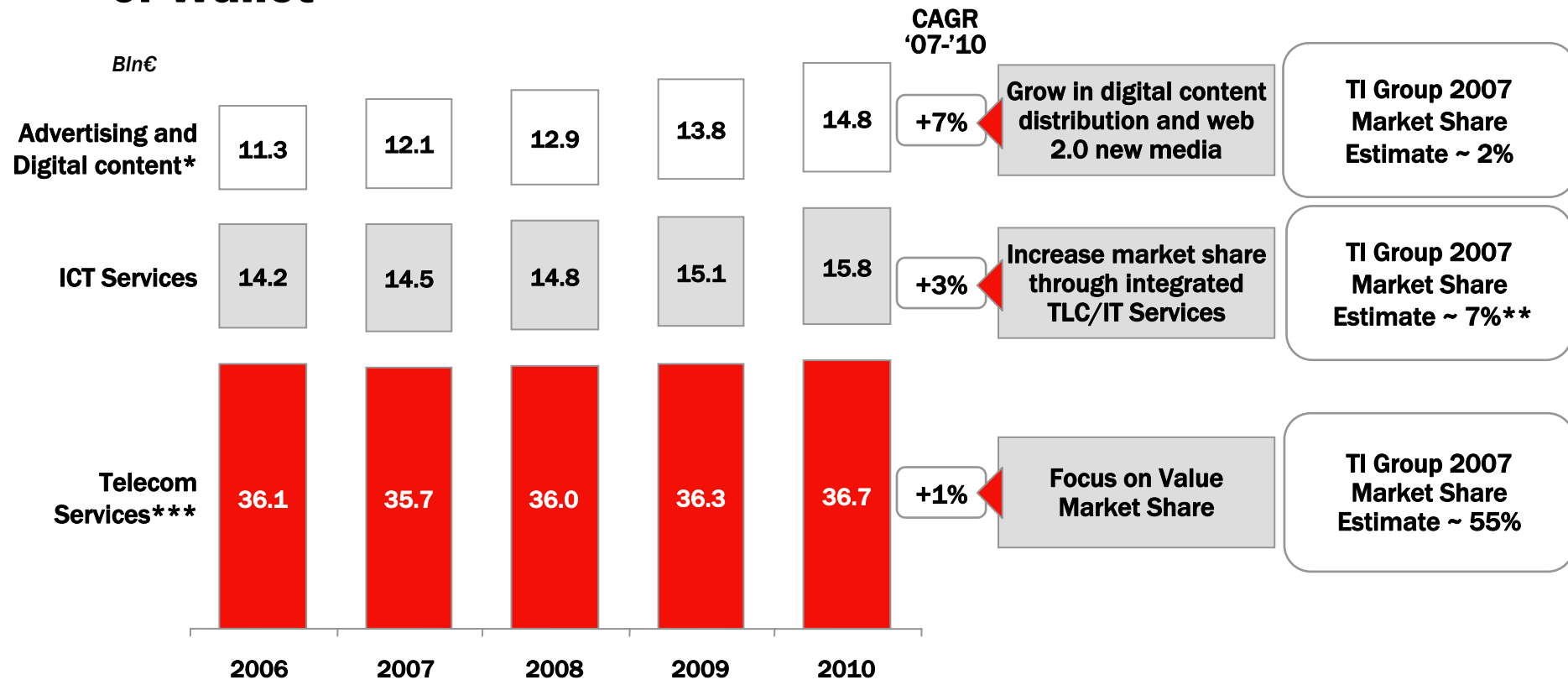
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MARKET OVERVIEW 2008-2010

## Consolidate and Transform Domestic Business: Focus on Share of Wallet



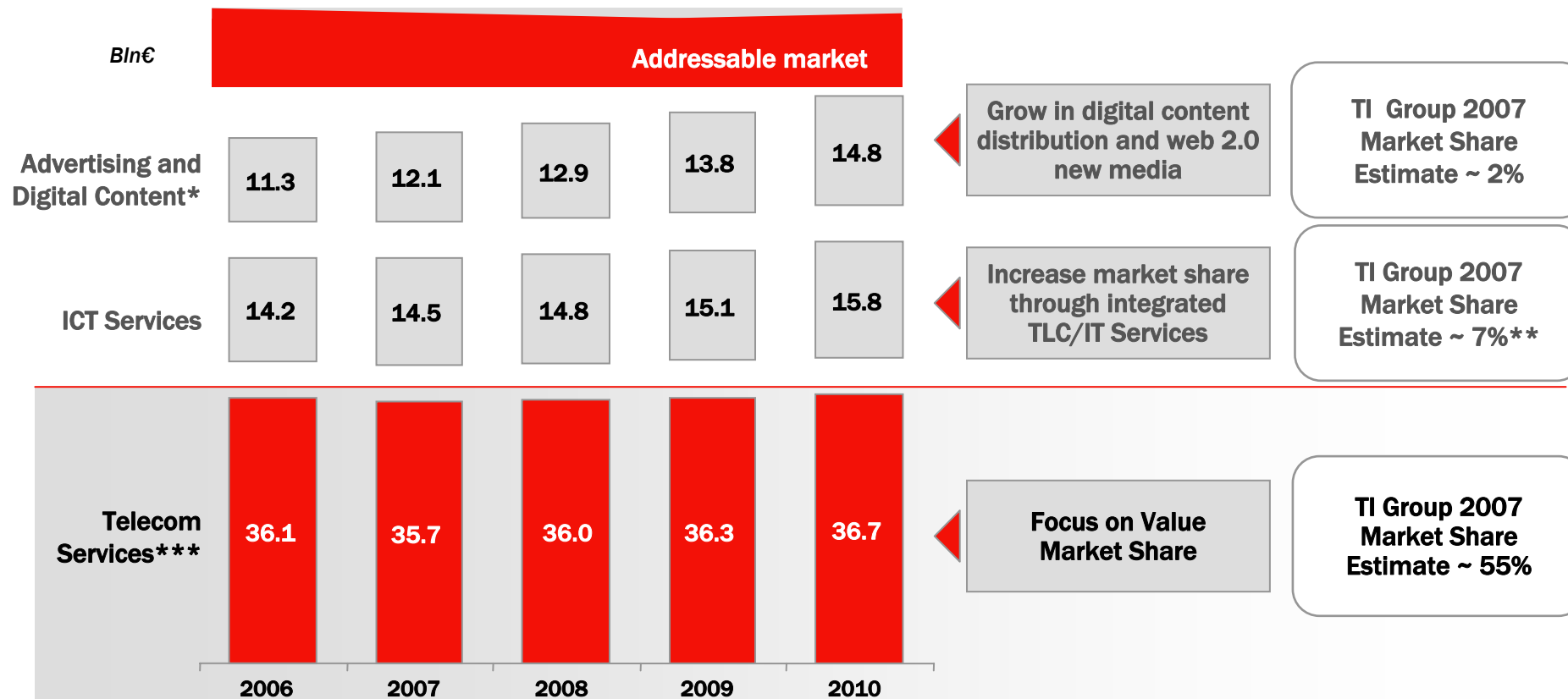
\* Includes total advertising mkt, Pay TV and digital content on PC. Excludes RAI Service Fee

\*\* On addressable market

\*\*\* Includes equipment

MARKET OVERVIEW 2008-2010

## Consolidate and Transform Domestic Business: Focus on Share of Wallet



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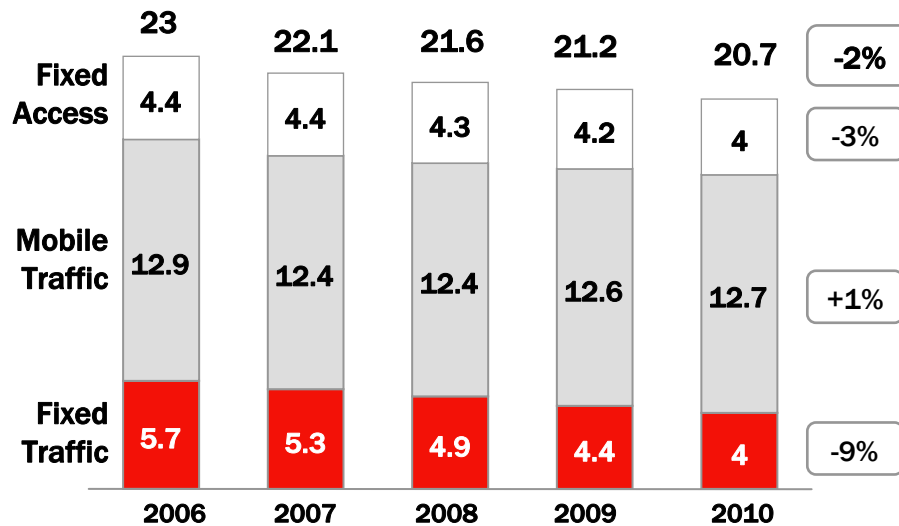
# Telecom Services

## Traditional Services

### Value

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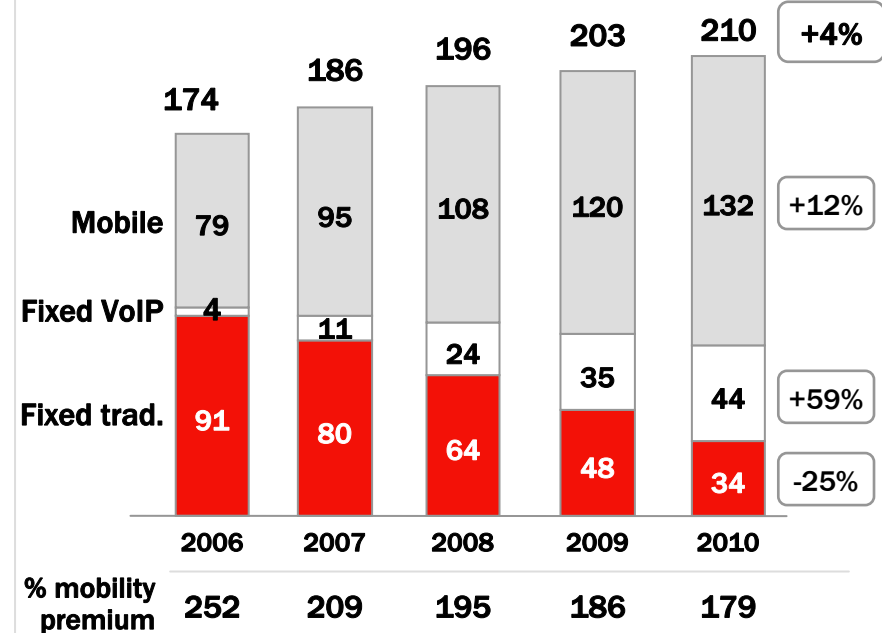
CAGR '07-'10



### Traffic Volumes

Bln minutes

CAGR '07-'10



- ▶ Retail voice is commoditizing and value is contracting:
  - ▶ Decline of fixed voice driven by mobile substitution
  - ▶ Mobile voice traffic shows a positive elasticity (2007 excluded due to regulatory discontinuities)
- ▶ Decrease of fixed access driven by a mix evolving towards xDSL and by mobile substitution

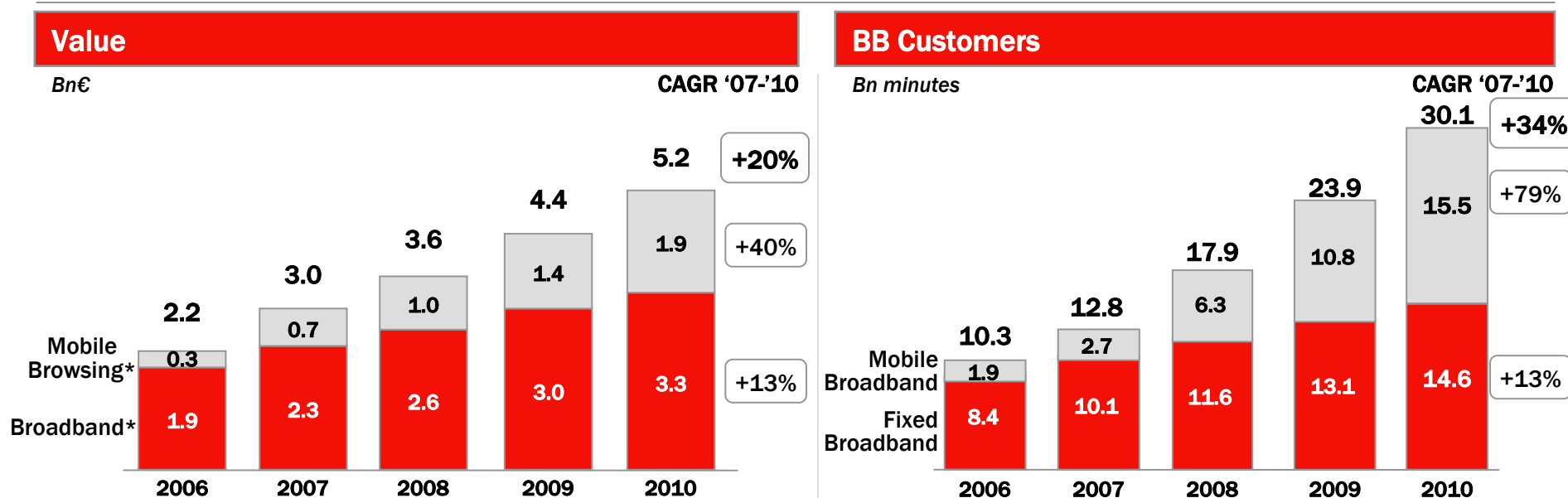
- ▶ Mobile traffic exceeded fixed line traffic in 2007
  - ▶ Fixed: migration to mobile and VoIP
  - ▶ Mobile: growth pushed by bundles and homezone offers causing a reduction in the "mobility premium", facilitating migration

Source: internal estimates based on OVUM, Gartner, IDC, Assinform and Sirmi data

MARKET OVERVIEW 2008-2010

## Telecom Services

### Broadband Market



- ▶ Strong growth of the Internet market driven by fixed broadband and mobile browsing
- ▶ Broadband penetration is driven by a growing demand of bandwidth and fixed/mobile over IP services (VoIP, Contents, Social Networking services, Gaming On Line, "Punto LAN", IP Centrex, ...)

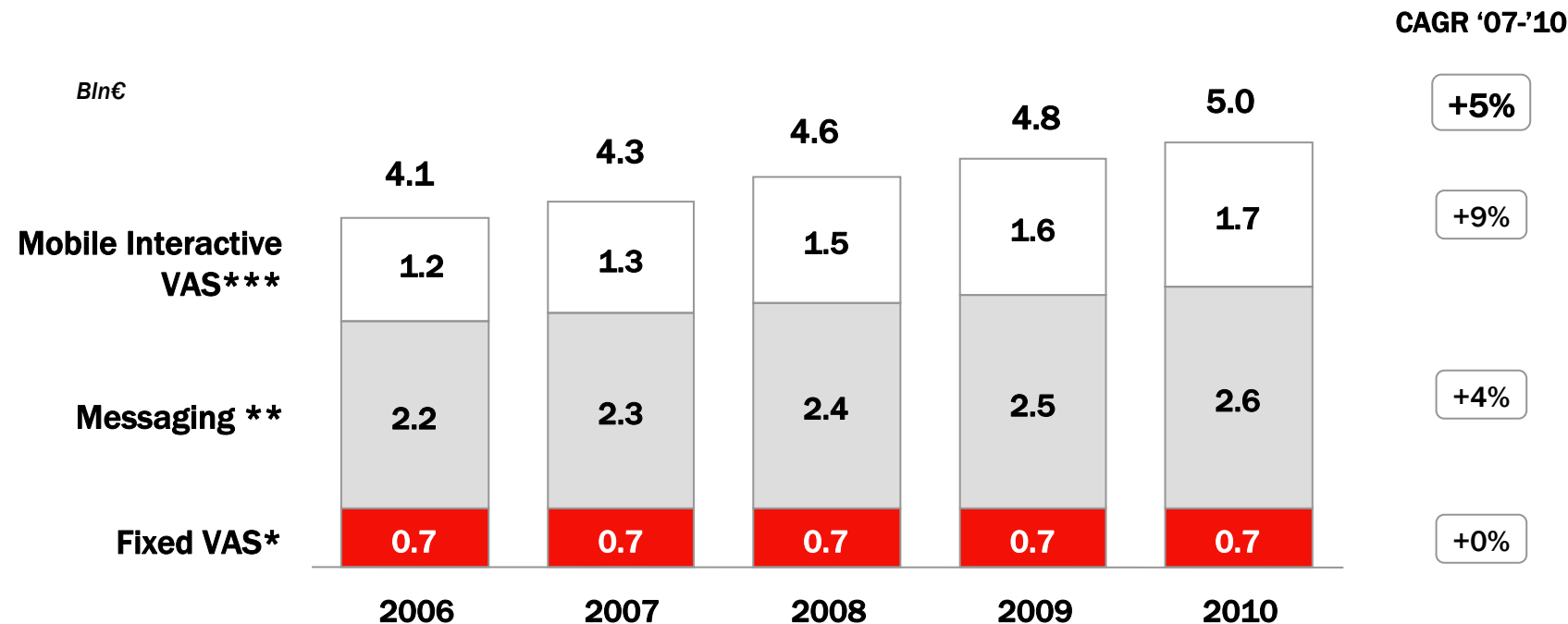
% Fixed BB /fixed accesses	37	45	52	59	67
% Mobile BB /SIM	2	3	7	11	16
% 2P-3P/Fixed BB	12	29	44	63	82

Source: internal estimates based on OVUM, Gartner, IDC, Assinform and Sirmi data

\* Broadband VAS included (eg. security package, anti-spamming, mobile mailing, ...)

# Telecom Services

## Messaging and VAS



- ▶ Messaging and Fixed VAS markets are significant in term of revenues but substantially mature
- ▶ Mobile Interactive VAS drive growth

Source: internal estimates based on OVUM, Gartner, IDC, Assinform and Sirmi data

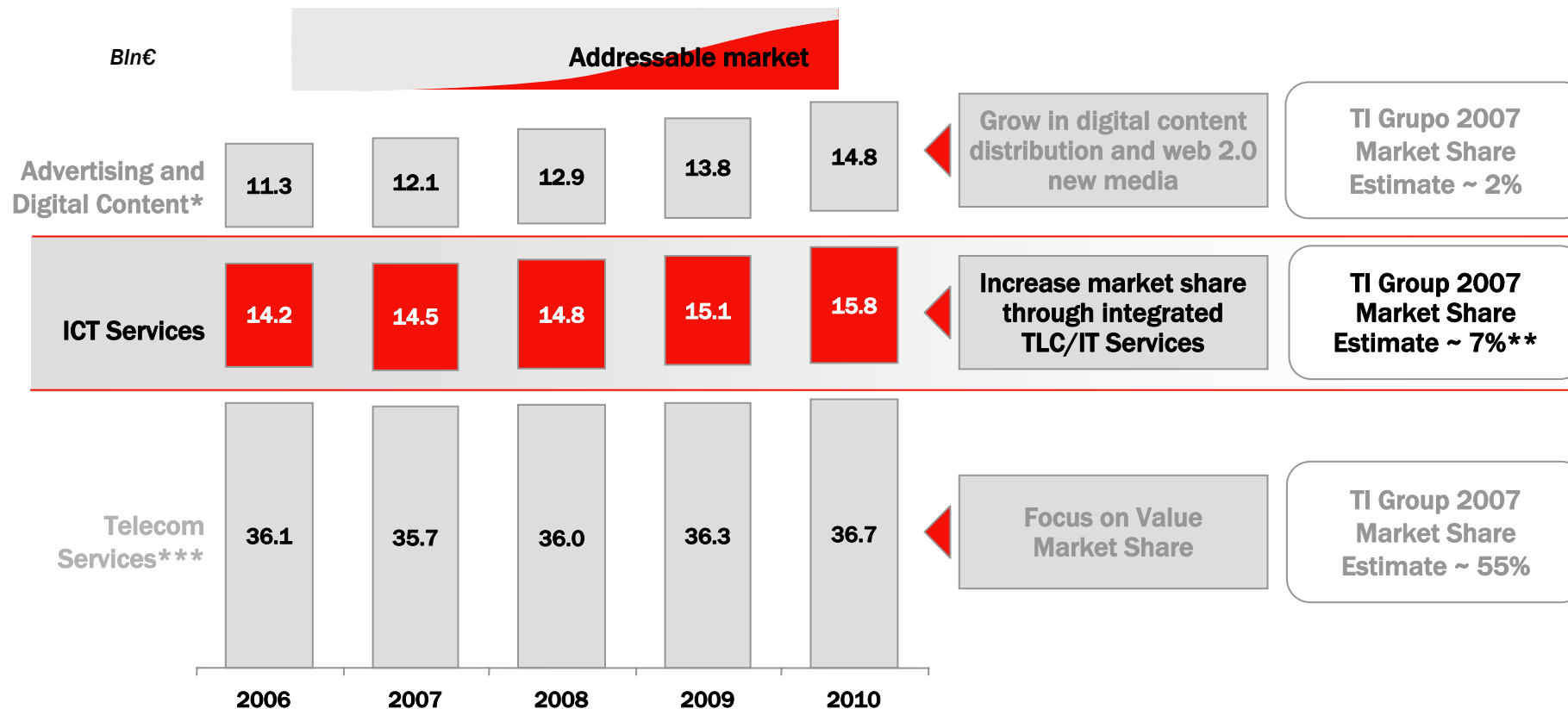
\*Premium Services, Voice VAS

\*\* SMS, MMS, Instant Messaging

\*\*\*Voice VAS, Premium Services, Content, WAP, Mobile TV and B2B Services

MARKET OVERVIEW 2008-2010

## Consolidate and Transform Domestic Business: Focus on Share of Wallet



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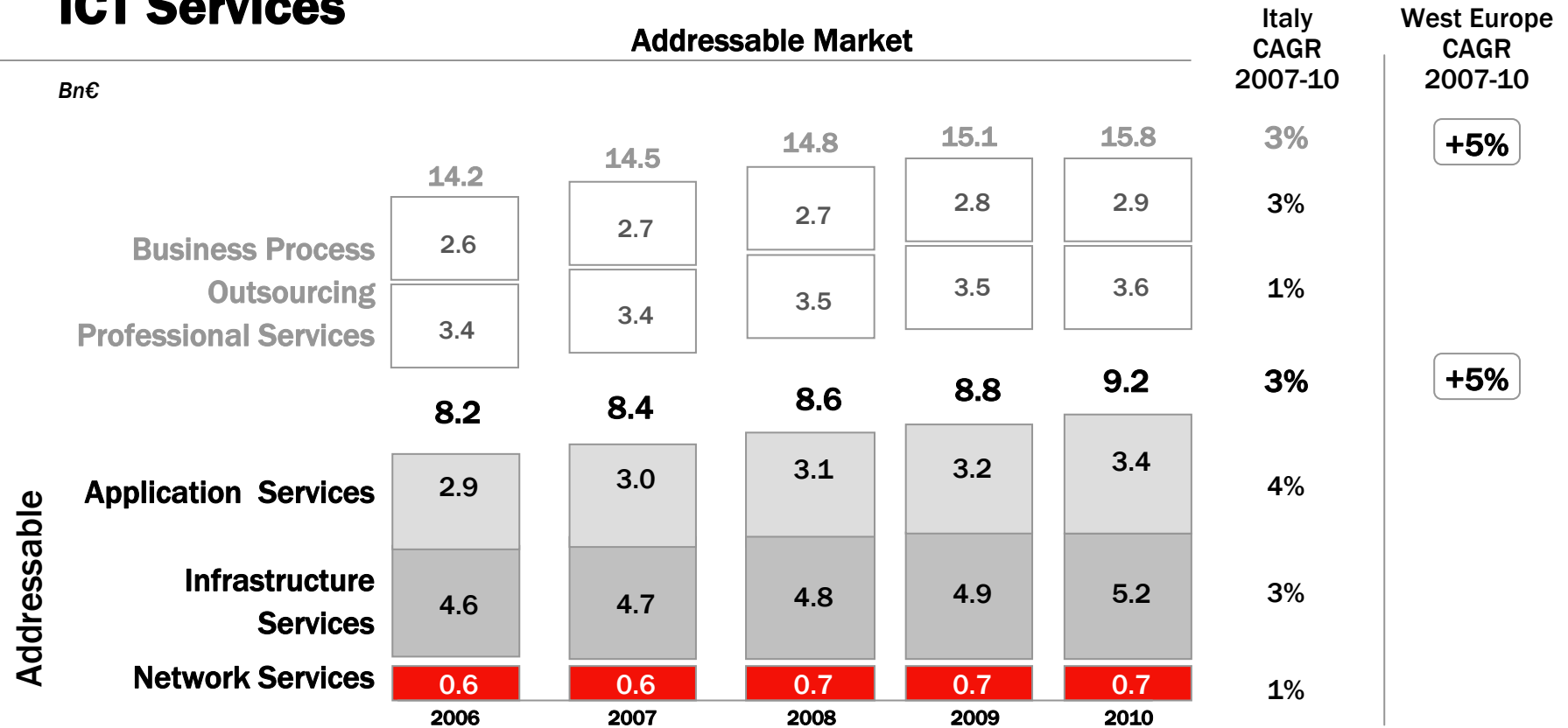
\*\* On addressable market

\*\*\* Includes equipment



MARKET OVERVIEW 2008-2010

## ICT Services

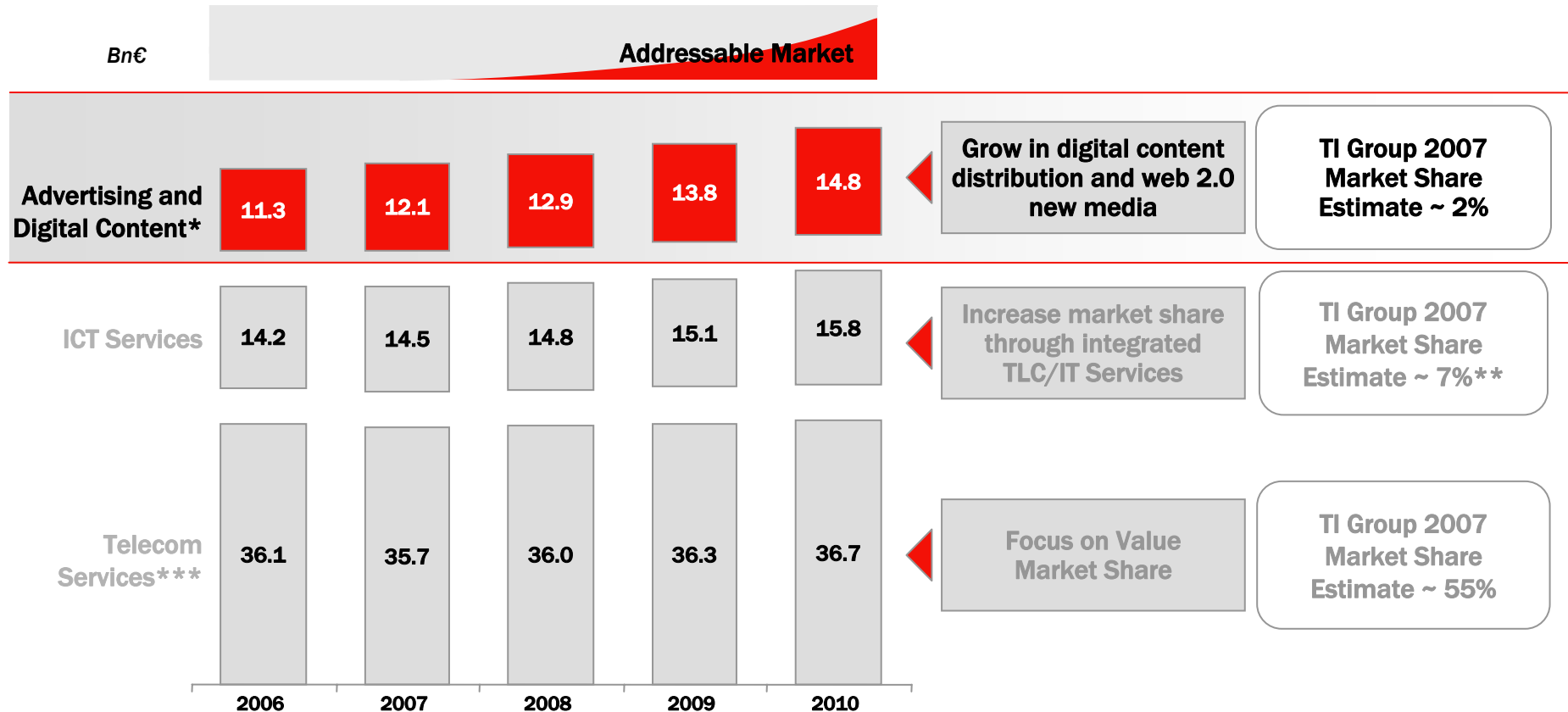


- ▶ ICT market is attractive in terms of size and growth
- ▶ Virtualization, "SW as a service" and Service Oriented Architecture increase telco opportunities

Source: Assinform, IDC & AT Kearney Analysys

MARKET OVERVIEW 2008-2010

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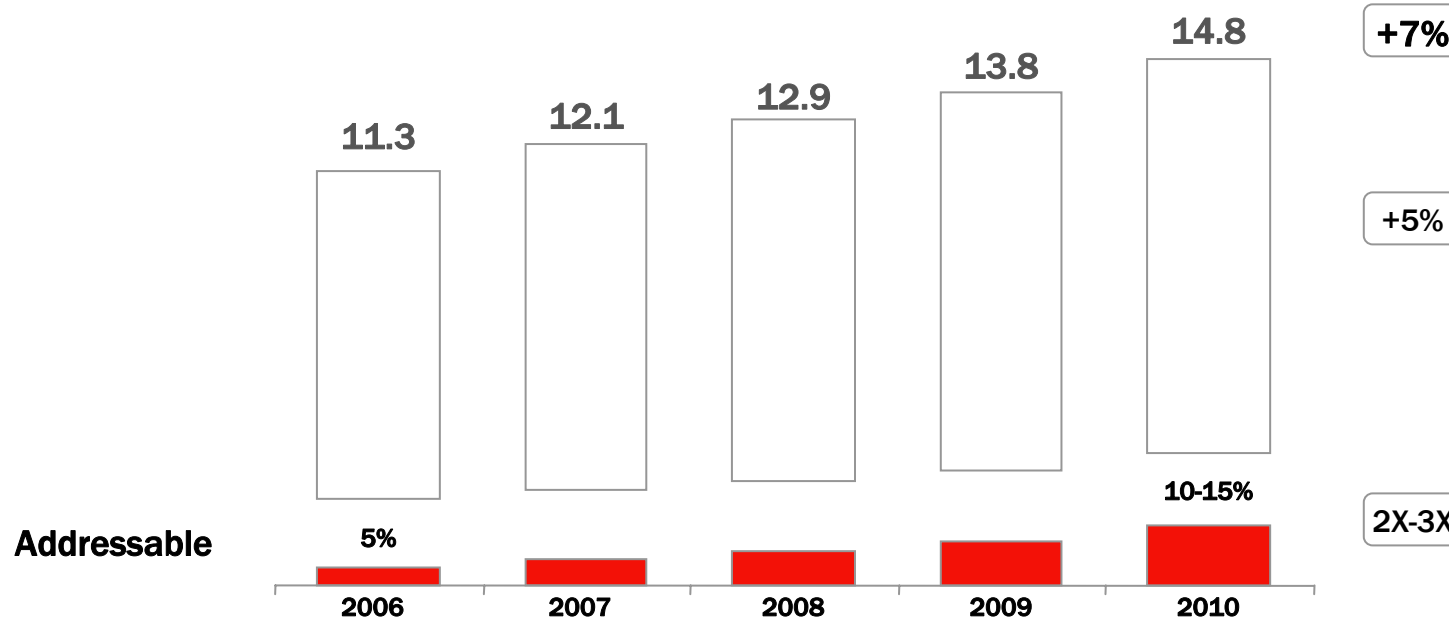
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## Advertising and Digital Content

### Addressable Market (\*)

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- ▶ Addressable market mainly relates to on line advertising, digital content over Internet and IPTV
- ▶ Strong growth of addressable market is enabled by web 2.0 Telco capabilities such as profiling, presence, localization,...

Source: internal estimates on Nielsen, IAB, Merrill Lynch, Ovum, Jupiter, PWC, Company Data

\* Excluding TI Media