

**TELECOM ITALIA GROUP**

London, 8 June 2010

# **TELECOM ITALIA GROUP**

**Bank of America Merrill Lynch - TMT Conference**

MARCO PATUANO – Head of Domestic Operations



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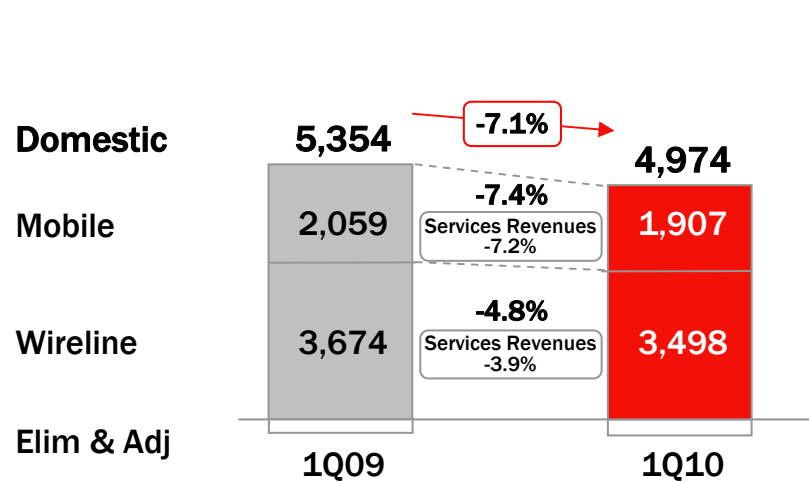
# Agenda

- ▶ **Domestic Repositioning Path**
  - ▶ **Mobile Business**
  - ▶ **Fixed Business**
  - ▶ **Focus on Sales Channel Restructuring**
  
- ▶ **Outlook**

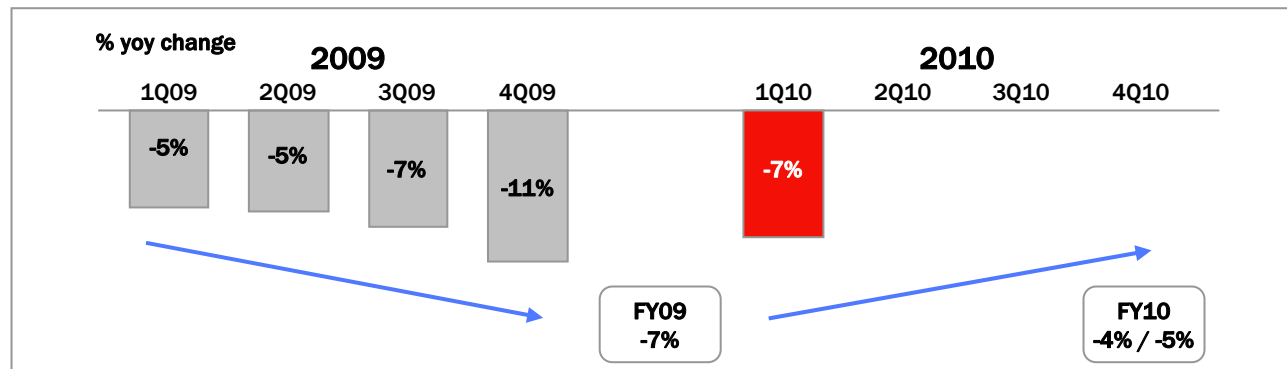
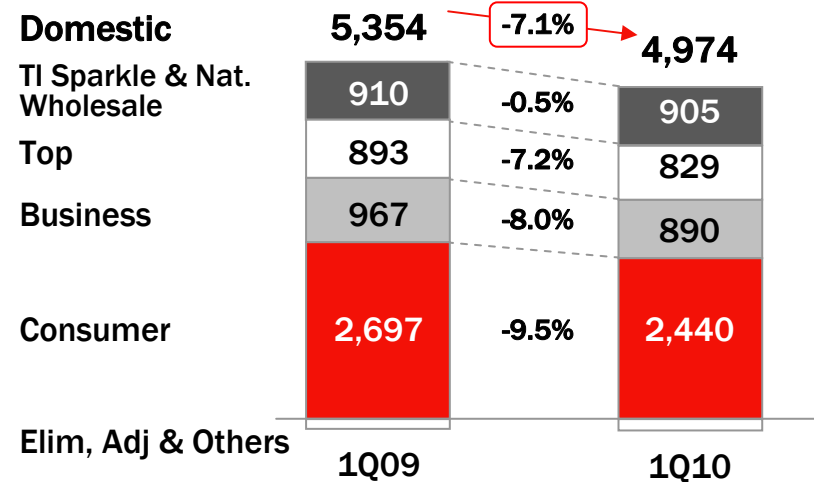
# Domestic Revenues – 1Q2010 Results

Euro mln, Organic Data

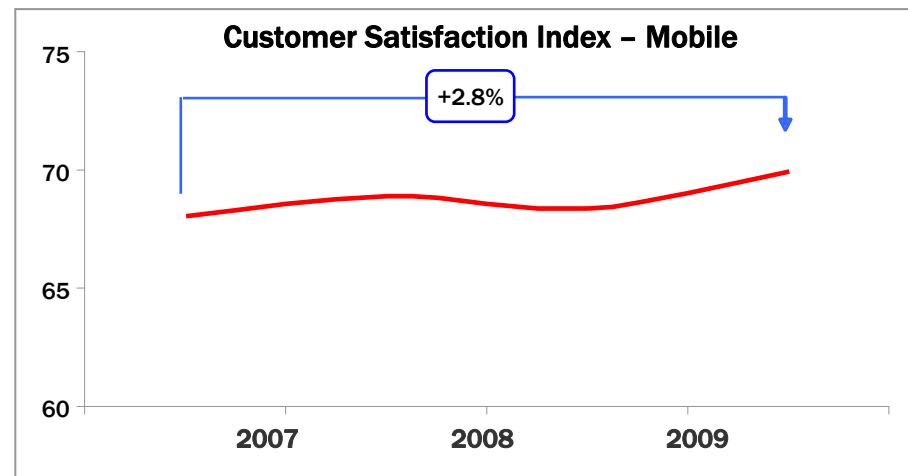
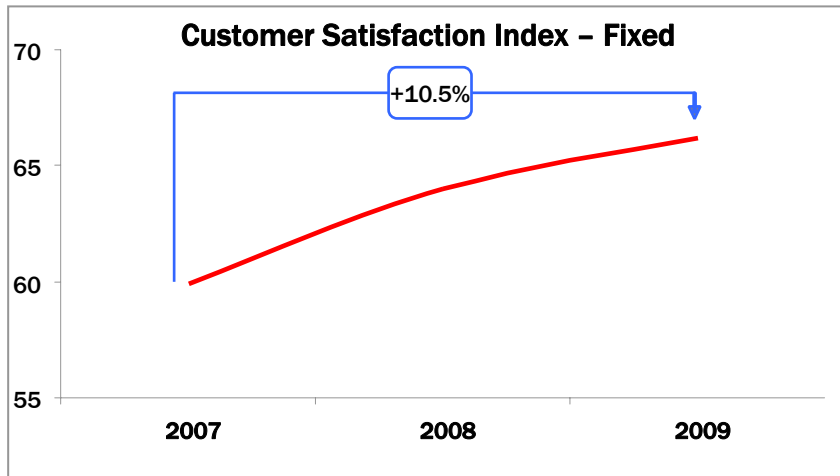
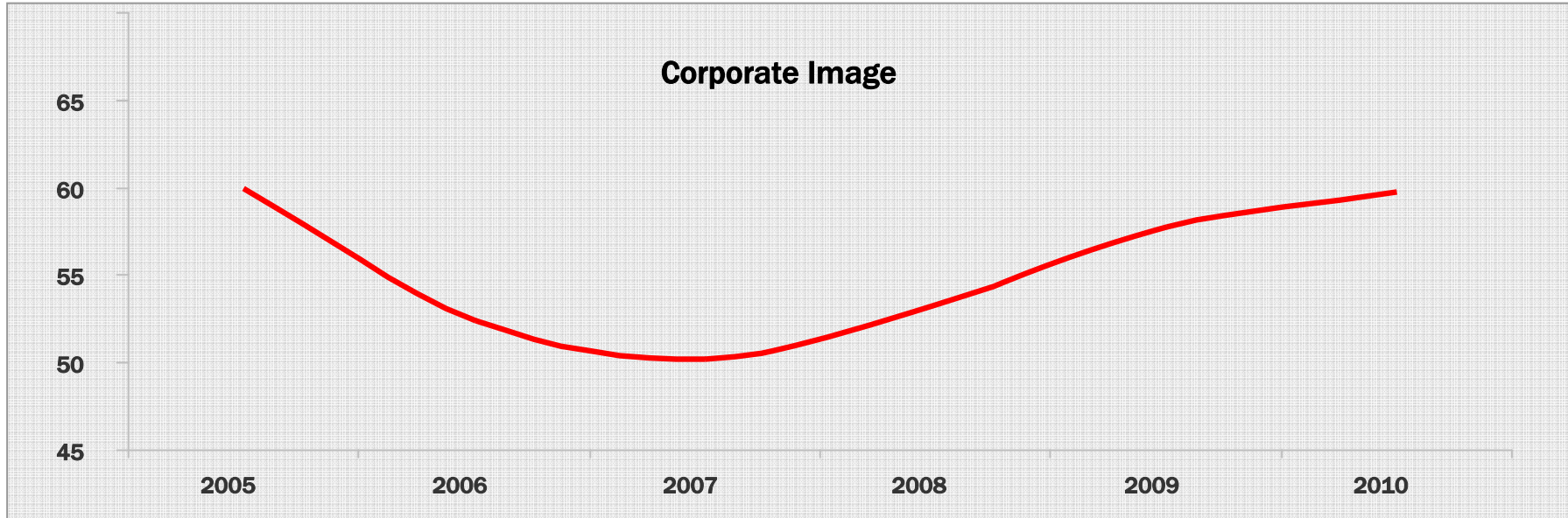
## Domestic Revenues by Technology



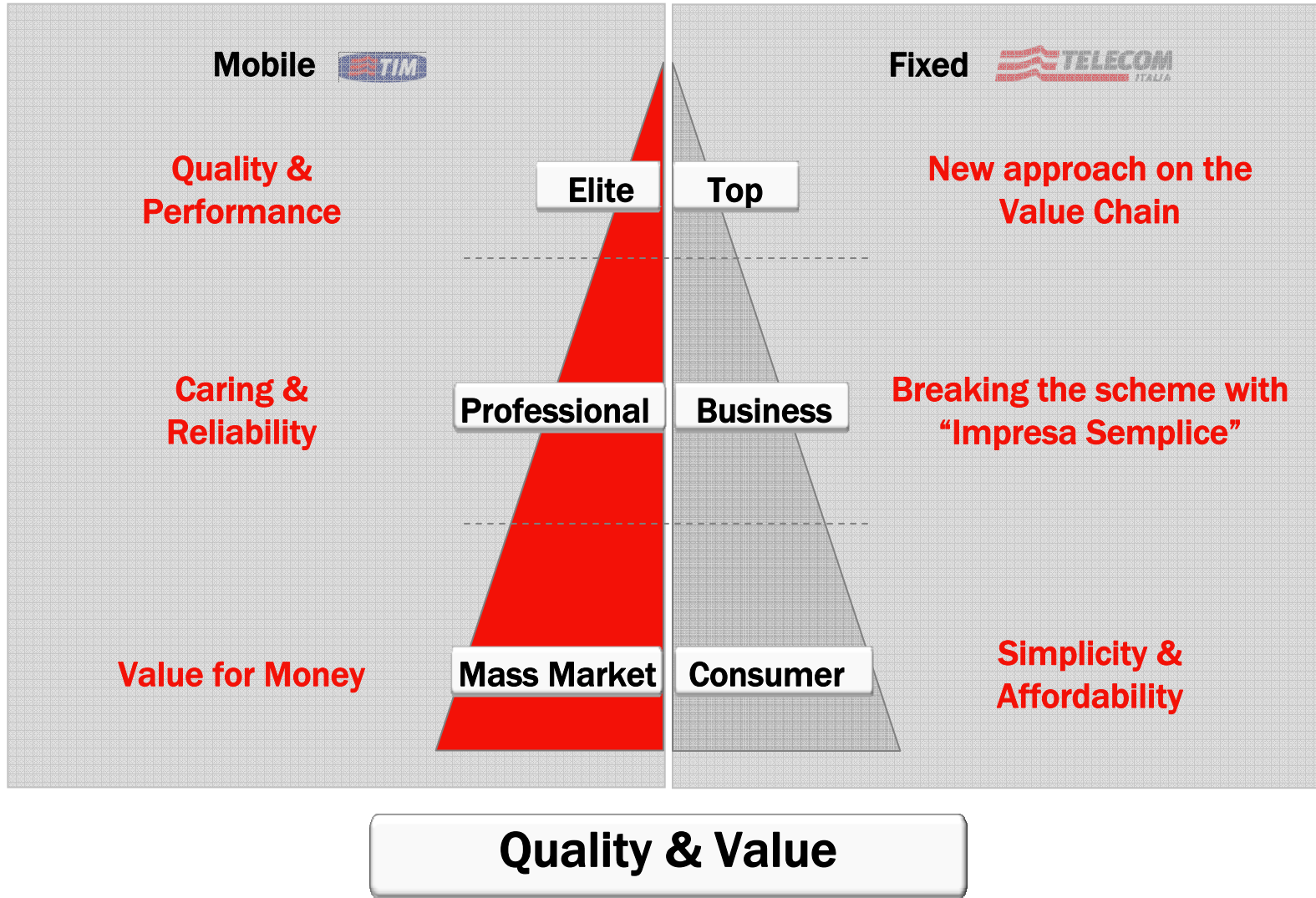
## Domestic Revenues by Customer Segment



# Keep Building Momentum on TI Perception



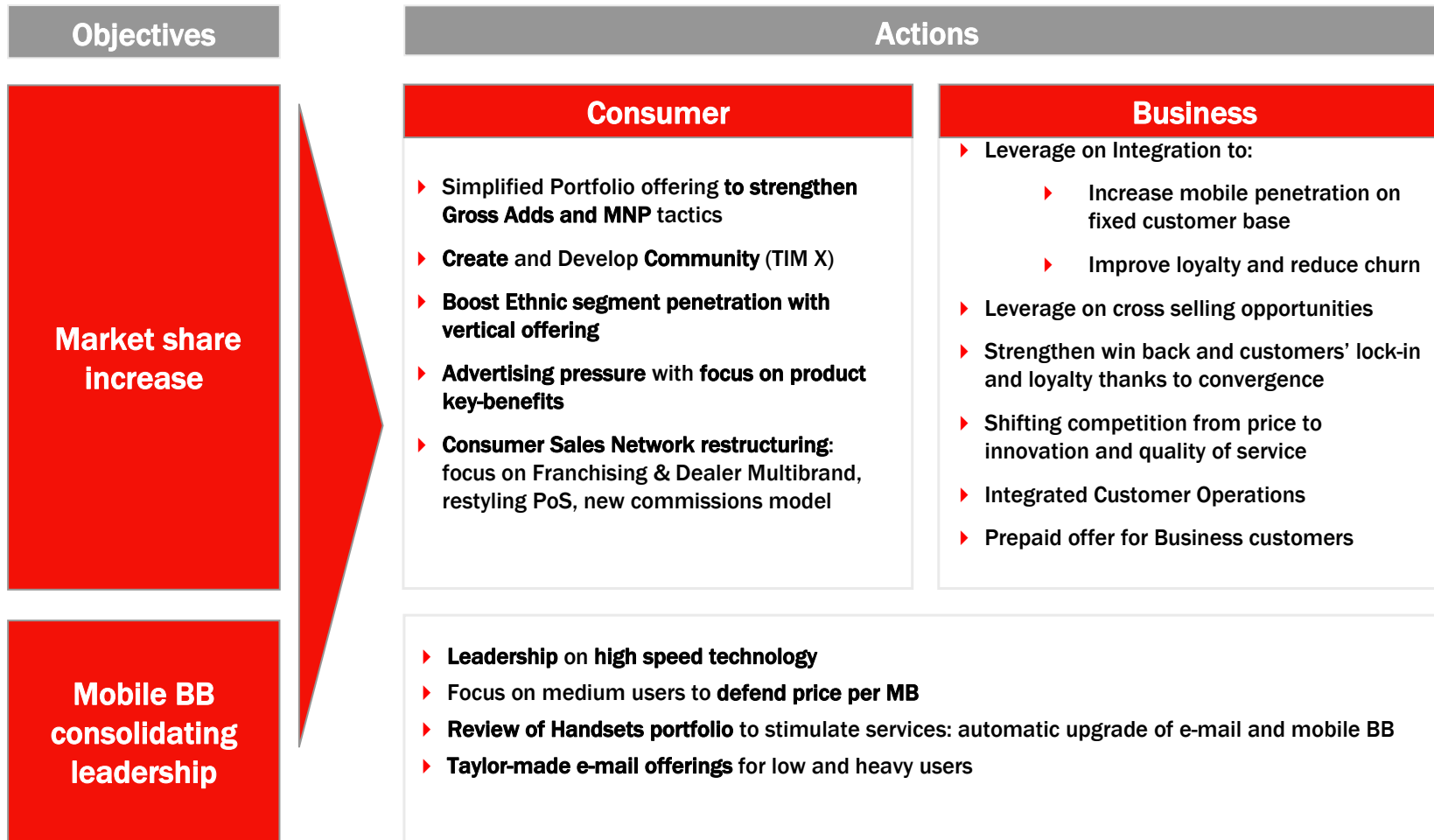
# Domestic Strategy across all Segments



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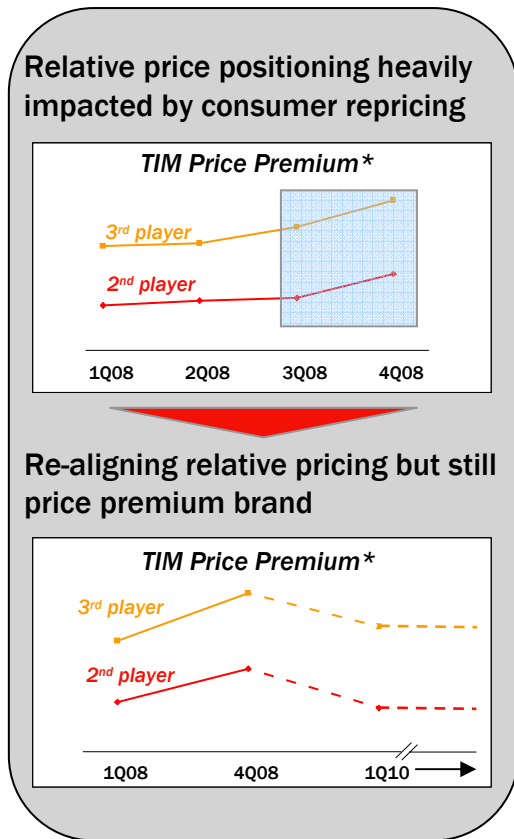
# Mobile Strategy: Be the “Best Value for Money” Choice



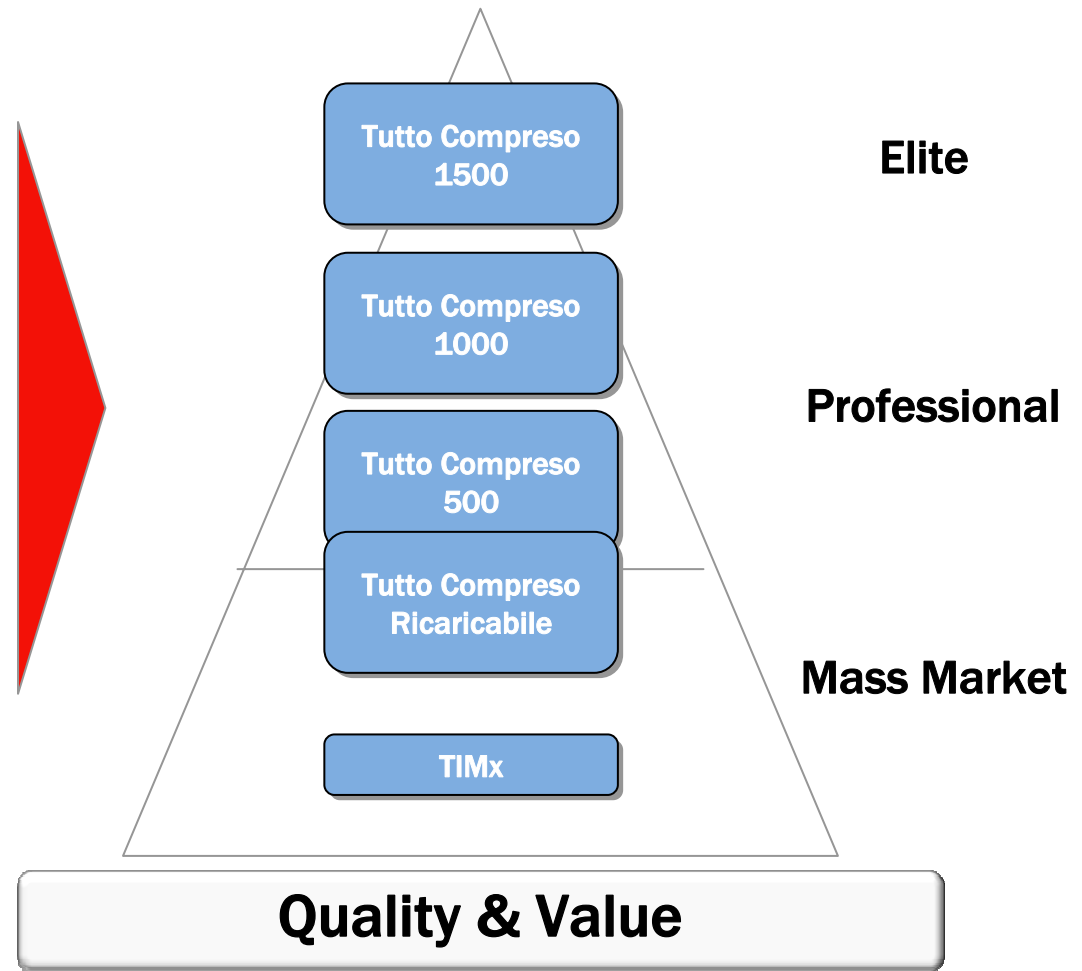


# Mobile Turn-around Strategy by Segment

## Price Positioning Evolution

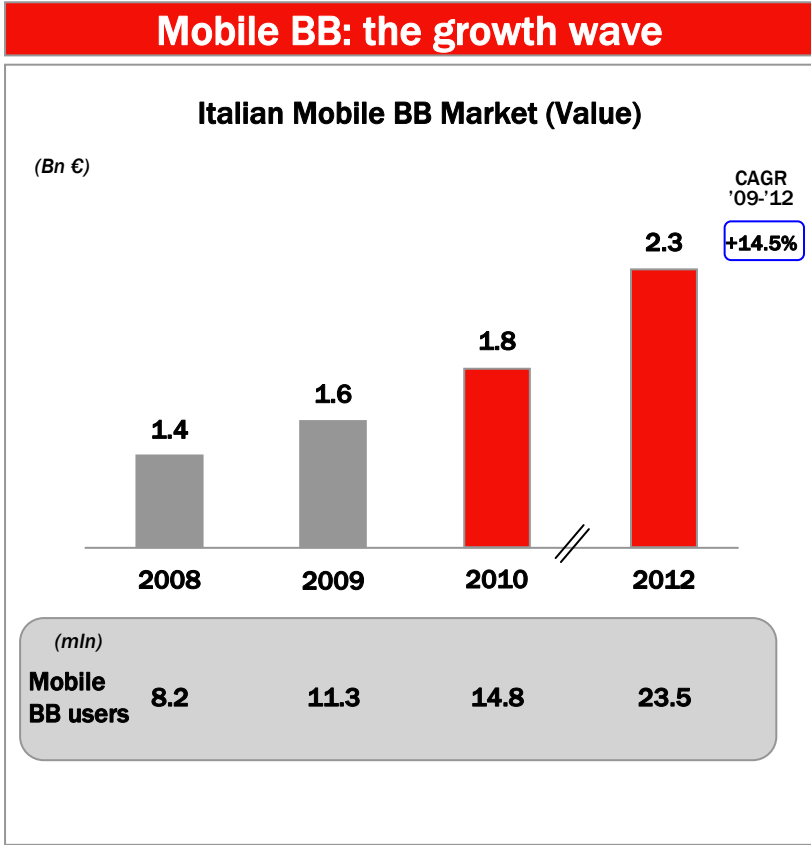


## New Portfolio Offers



\* Voice revs / total traffic volumes

# Reinforce Leadership on Mobile Data



**TIM strategy to reinforce leadership**

Network

- ▶ Over 80% UMTS coverage
- ▶ HSPA @ 14.4 Mbps already available on all TIM network

Offers & tariffs

- ▶ Transparent and competitive portfolio offer
- ▶ Internet Pack: the concept that changed the market

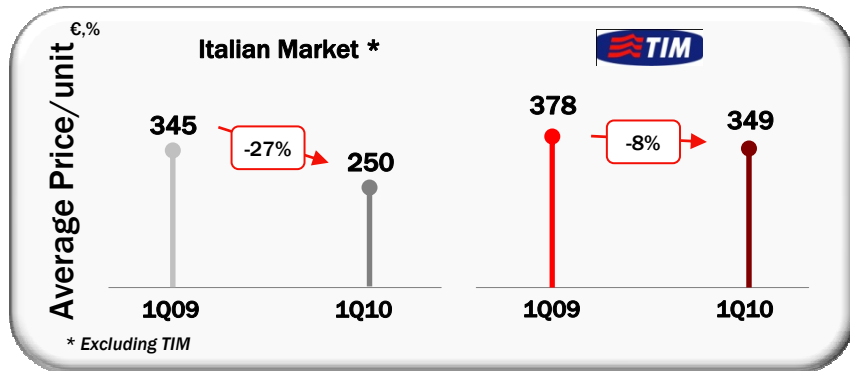
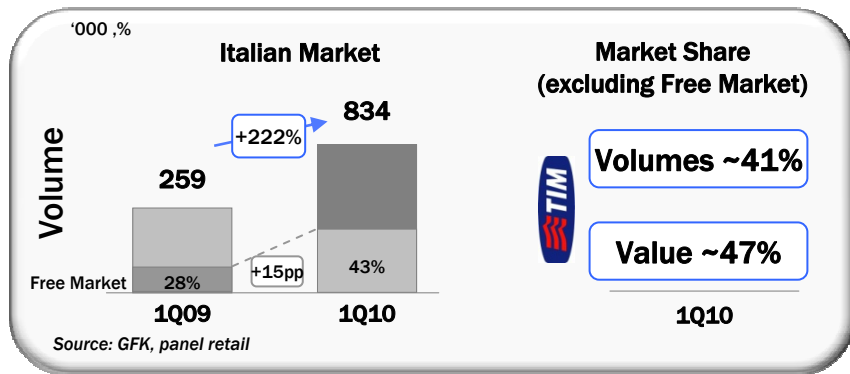
Devices

- ▶ Internet keys appealing, easy to use, self-installing, PLUG&PLAY

**Unmatched Proposition for Network Performance and Devices**

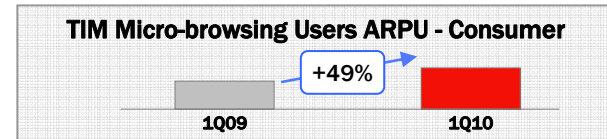
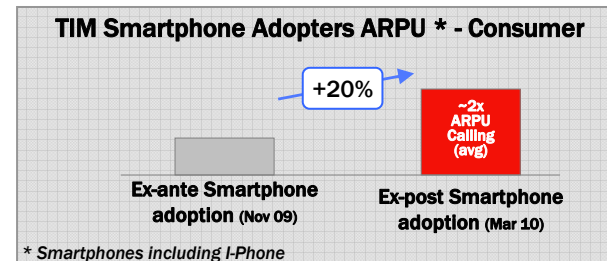
# Smartphone Market: A Key Driver for Growth

## Smartphone Market



## TIM Strategy on Arpu driven Smartphones

- ▶ Smartphones: key driver for higher quality customers (lower churn, higher ARPU)



Ad-hoc offering to stimulate Data usage:

- ▶ "TIMx Smartphone": up to 200MB of data traffic at 2€/week

Smartphone Portfolio

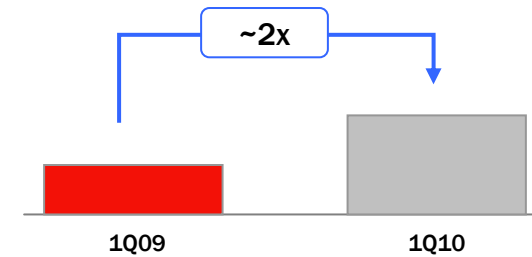
- ▶ 13 cutting-edge devices for all customer segments

## Focus on high-end, service enabler Smartphones

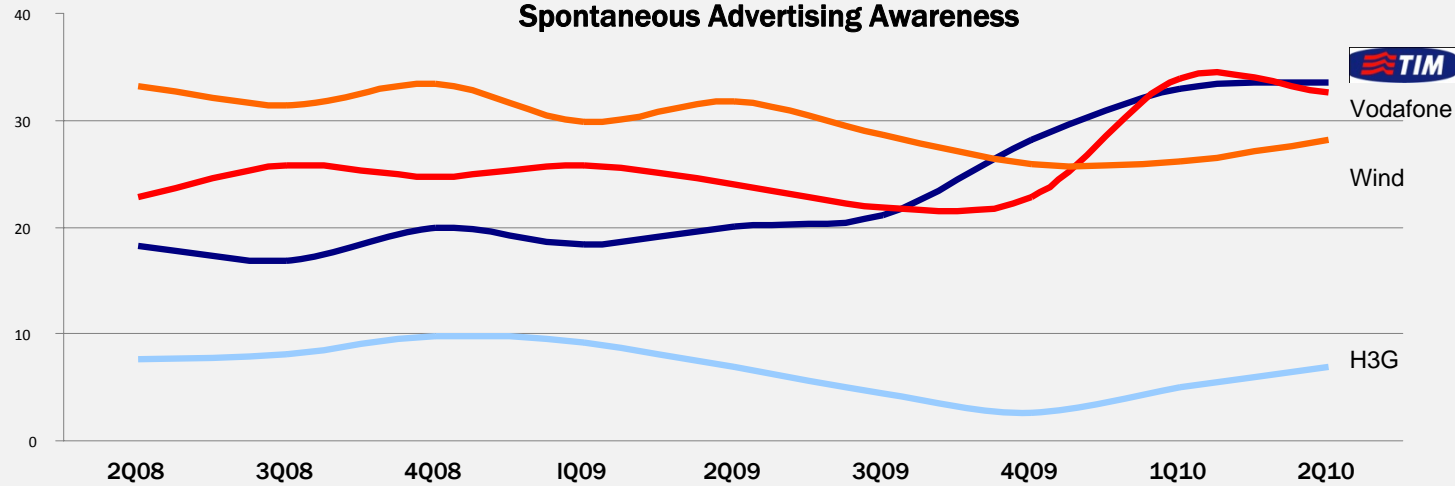
# Mobile - New Communication Strategy

- ▶ Continuous TV presence
- ▶ New format and testimonials
- ▶ Advertising campaigns strongly focused on the offers
- ▶ Focus on quality, value for money and “fair” offers
- ▶ Leadership in Advertising Awareness

Advertising Investments (GRP's)



Spontaneous Advertising Awareness



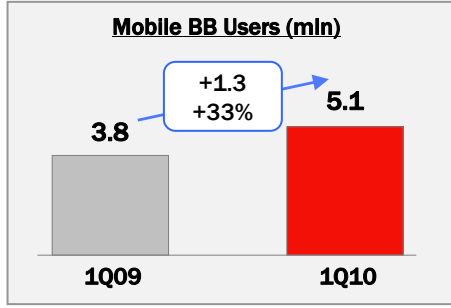
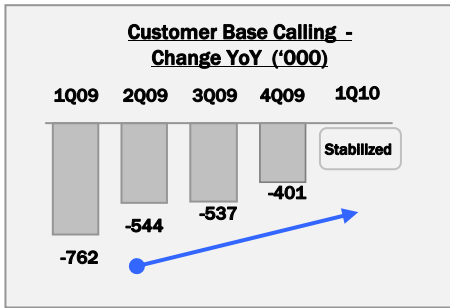
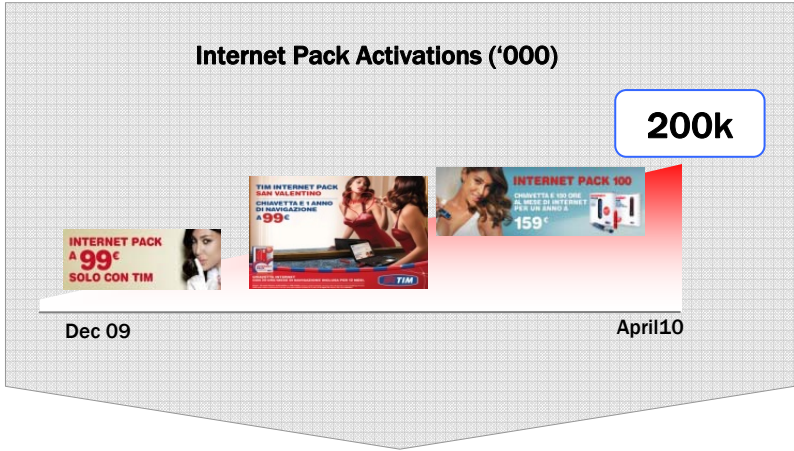
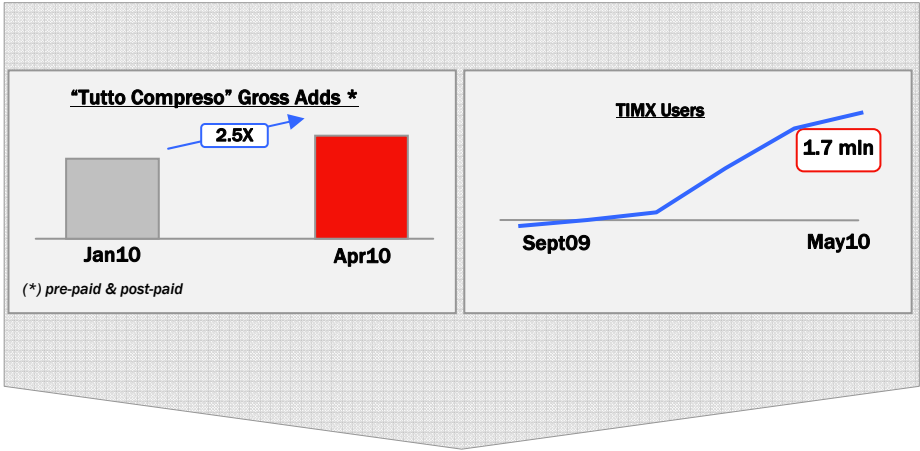
Source: STP GfK Eurisko

# Mobile - Main Evidences

## Value Customers

## Community Users

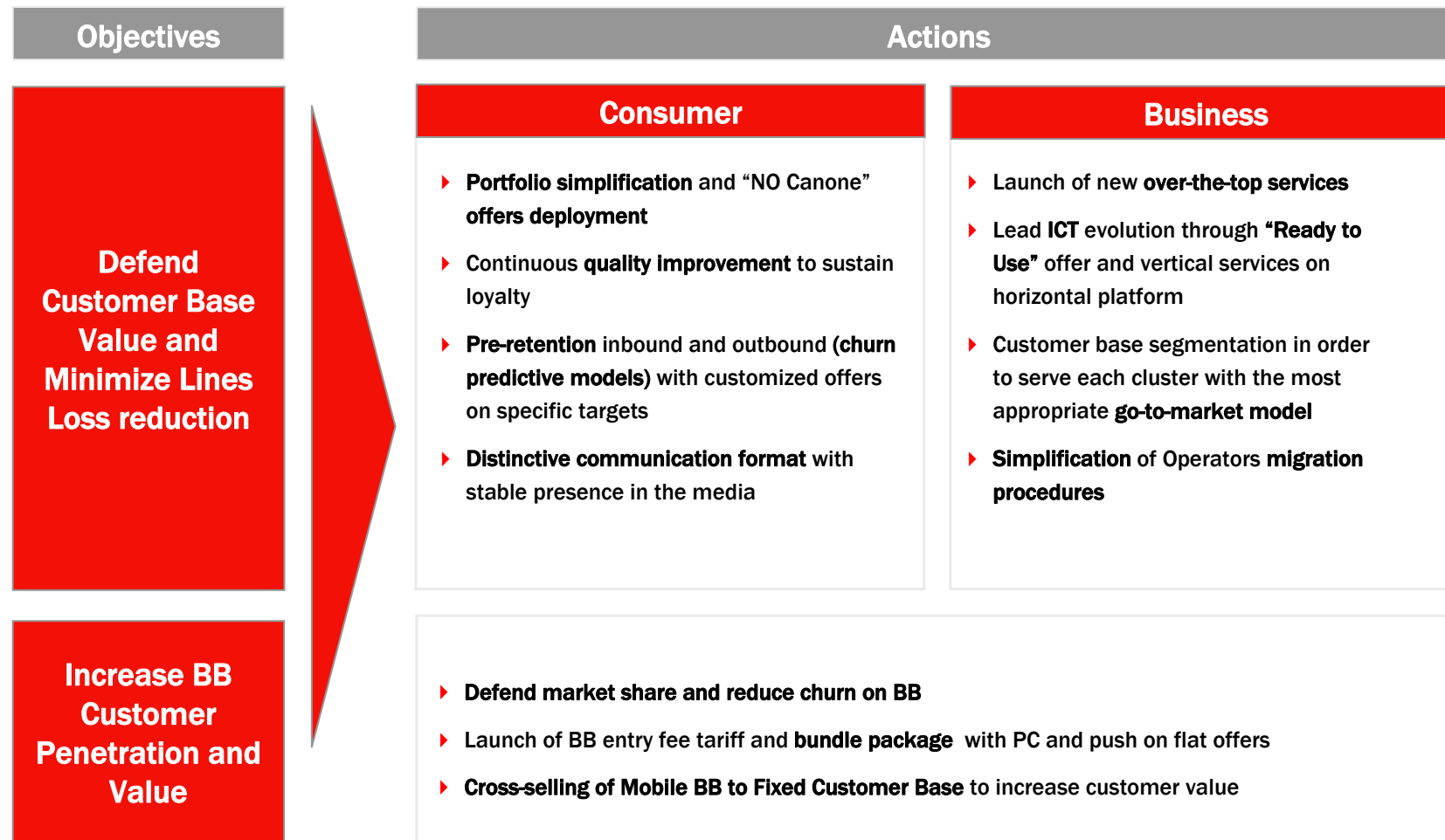
## Mobile BroadBand



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# Fixed Strategy: Consolidate Positive Momentum



# Fixed - Defend Customer Base Value: Simplified Offer Portfolio



▶ Customer's first choice with a wide range of **Bundled Offers** at a fair price to satisfy all customer needs

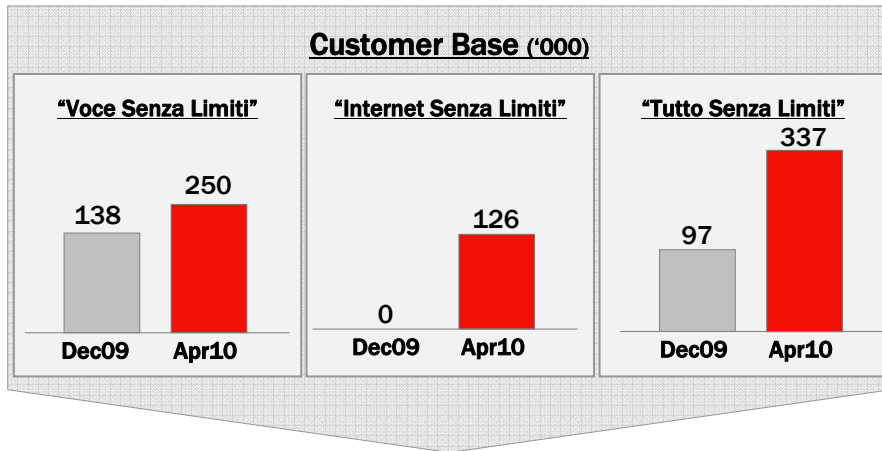
▶ **Sustain price premium positioning & Improve Quality of Services**

▶ **Bundling PC and ICT services** to broaden certified @mail and data backup penetration

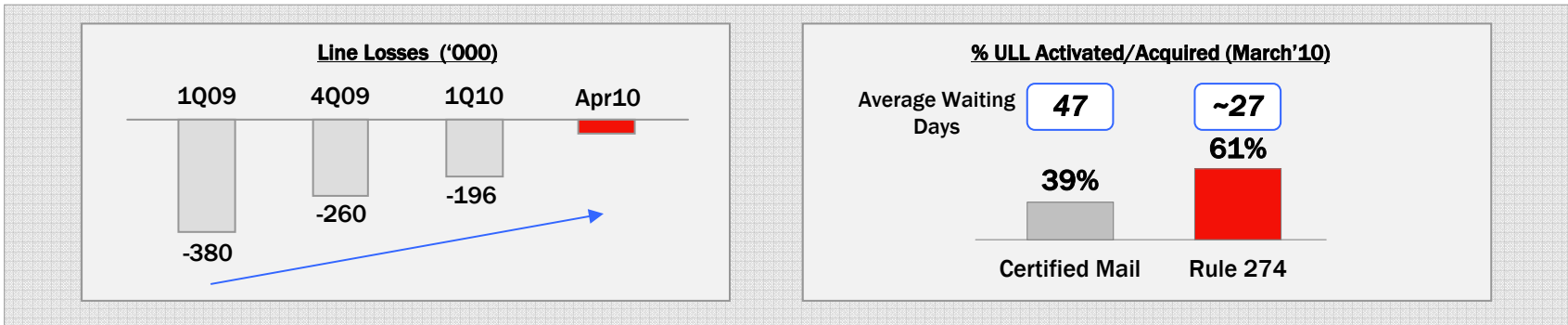
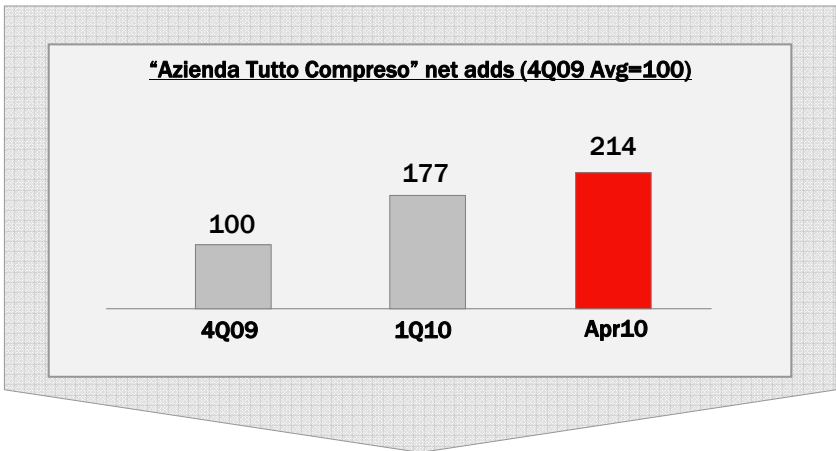


# Fixed - Main Evidences

## Consumer



## Business

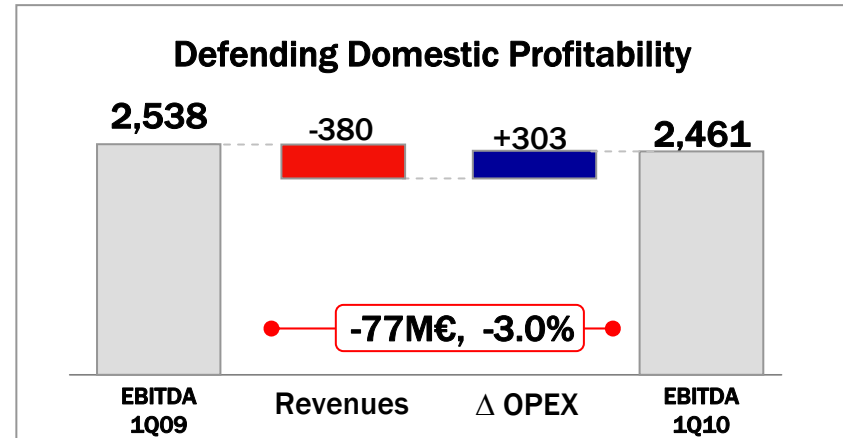
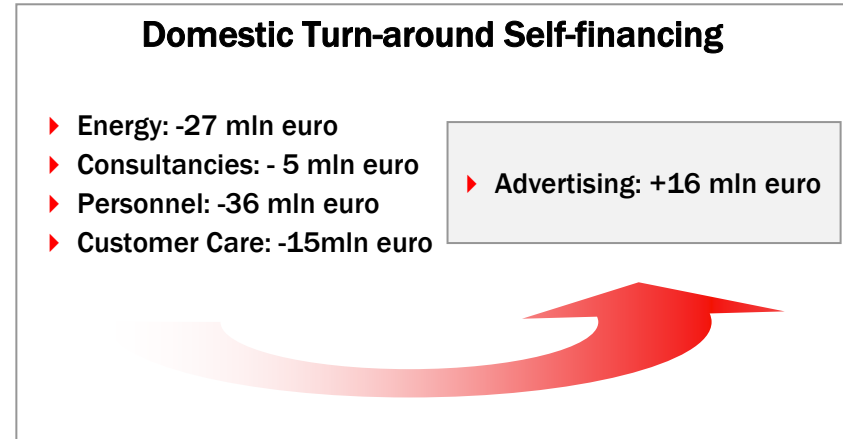


# Domestic - Focus on Efficiency Plan Progress

Euro mln

		D Abs '10 vs '09	Δ ITX	Δ Vol. Driven	Δ Efficiency
<b>Delta Cash Cost 1Q10 vs 1Q09</b>					
	1Q10				
<b>Total Opex</b>	<b>2,513</b>	<b>-303</b>	<b>-100</b>	<b>-62</b>	<b>-141</b>
ITX	703	-100	-100	-	-
Mktg & Sales	583	-38	-	-18	-20
Industrial	243	-13	-	-10	-3
Personnel	834	-40	-	-4	-36
G&A & Other	151	-112	-	-30	-82
<b>Total Capex</b>	<b>752</b>	<b>-81</b>	<b>-</b>	<b>+14</b>	<b>-95</b>
<b>Total Cash Cost</b>		<b>-384</b>	<b>-100</b>	<b>-48</b>	<b>-236</b>

26% of FY10 Target



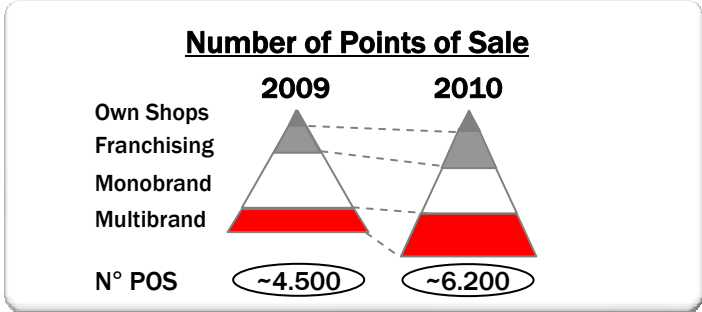
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# Consumer Sales Channels: Deep Changes Underway

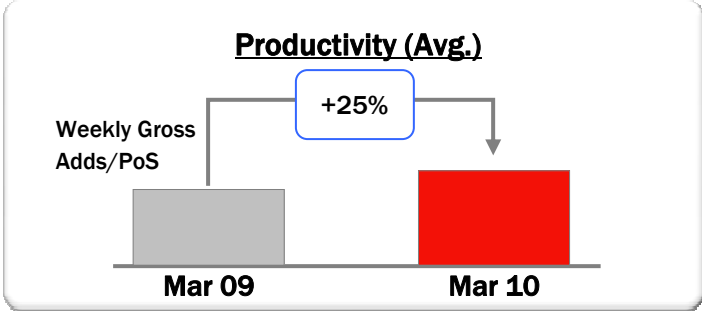
## Structure

- Change Sales Channel Mix and Size



## Profitability

- Change Commissioning Scheme based on Value
- Improve profitability (Bill Size)

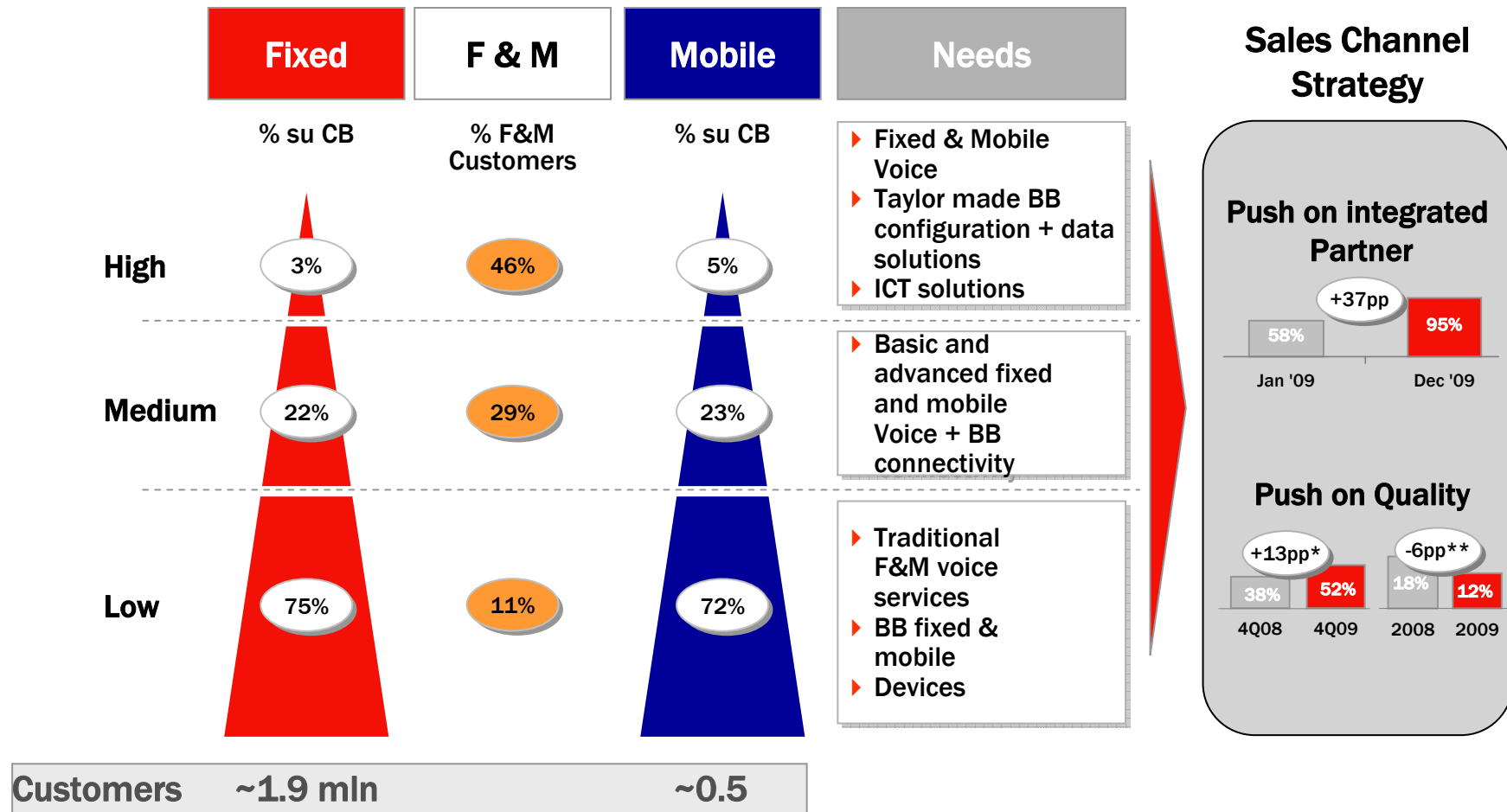


## Image

- Own Shop Restyling
- Improve Customer Experience



# Business Sales Channels: Fully Exploit up/cross Selling Opportunities



\* Customer mix: % of High/Medium Human Gross Adds

\*\* Customer quality: Churn rate (%) Gross Adds

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## Outlook

### Mobile Business

- ▶ **Speed-up Gross Adds**
- ▶ **Churn control**
- ▶ **Continuous Mobile BB growing trend and focus on Smartphones**
- ▶ **Availability of Restyled Sales Channels**

### Fixed Business

- ▶ **Churn control**
- ▶ **Confirm 1Q trend on line losses**
- ▶ **Lead the wave of new ICT solutions for SME and SOHO**
- ▶ **Leadership consolidation in BB**