

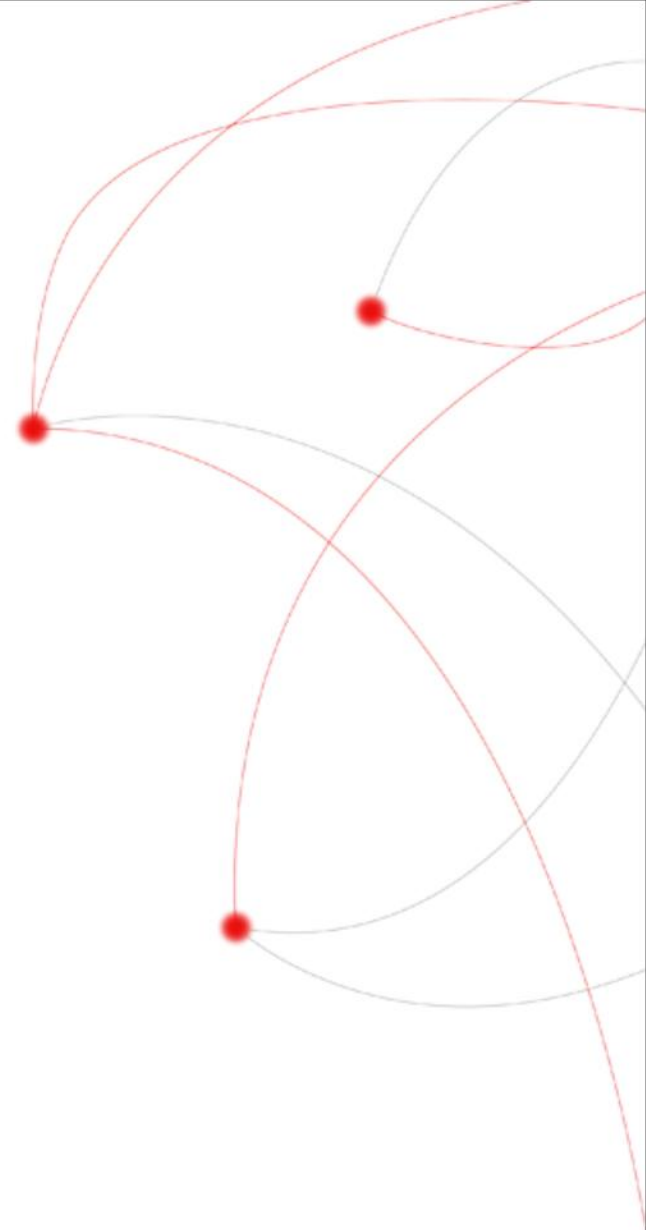
TELECOM ITALIA GROUP

## **1Q 2010 Results**

Milan, May 6<sup>th</sup>, 2010

# **Telecom Italia 1Q 2010 Results**

MARCO PATUANO



## Safe Harbour

These presentations contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activities and situation relating to the Company and the Group.

Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected or implied in the forward looking statements as a result of various factors.

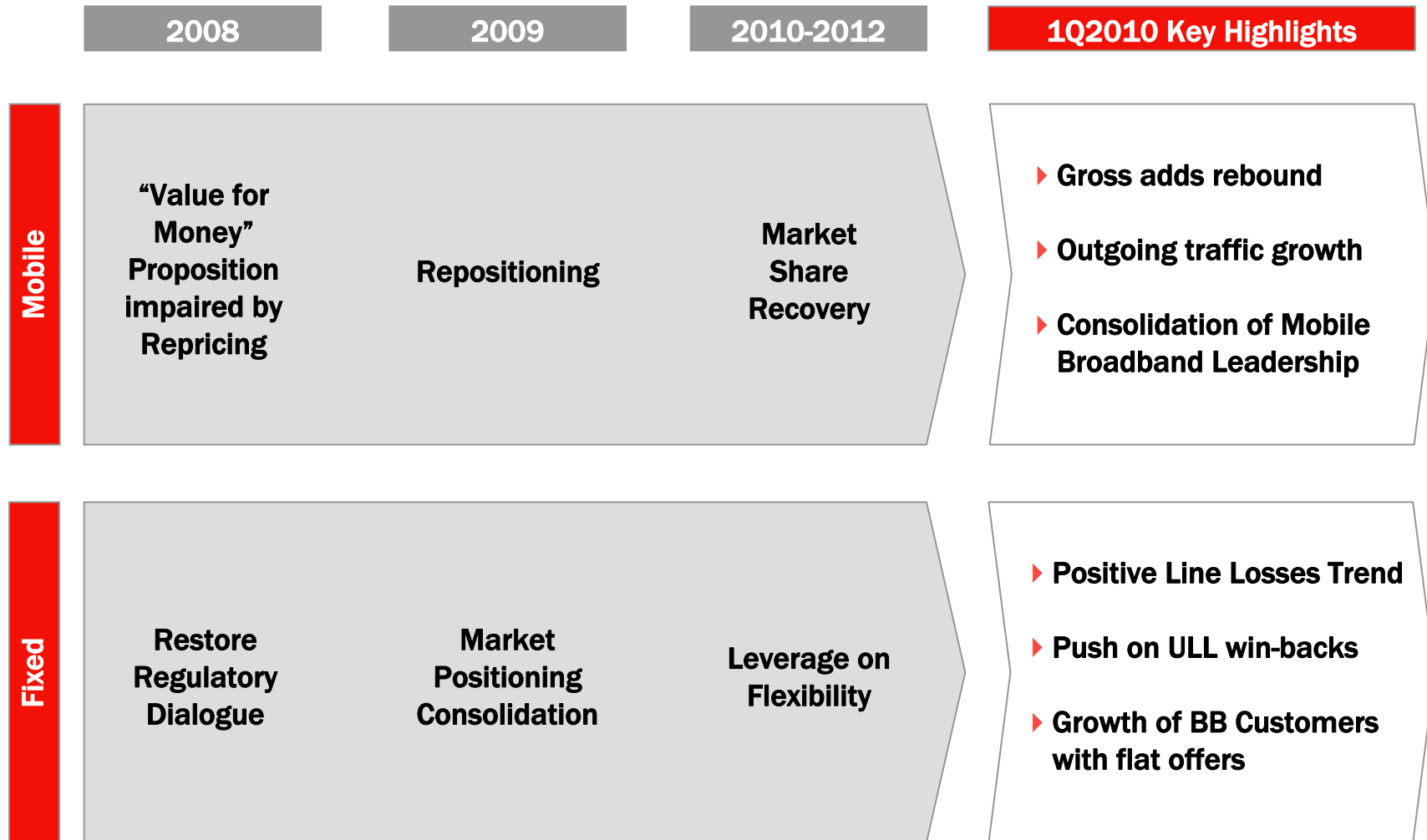
Forward-looking information is based on certain key assumptions which we believe to be reasonable as of the date hereof, but forward looking information by its nature involves risks and uncertainties, which are outside our control, and could significantly affect expected results.

Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia S.p.A. undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telecom Italia S.p.A. business or acquisition strategy or planned capital expenditures or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission.

# Agenda

- ▶ **The Transformation Journey:  
1Q 2010 Main Achievements**
  - ▶ **Reverse Revenues Trend:**
    - ▶ **Mobile Business**
    - ▶ **Fixed Business**
    - ▶ **Integrated Approach Opportunities**
  - ▶ **Excellence in Customer Satisfaction**
  - ▶ **Cash Cost Rationalization & Operating Model**

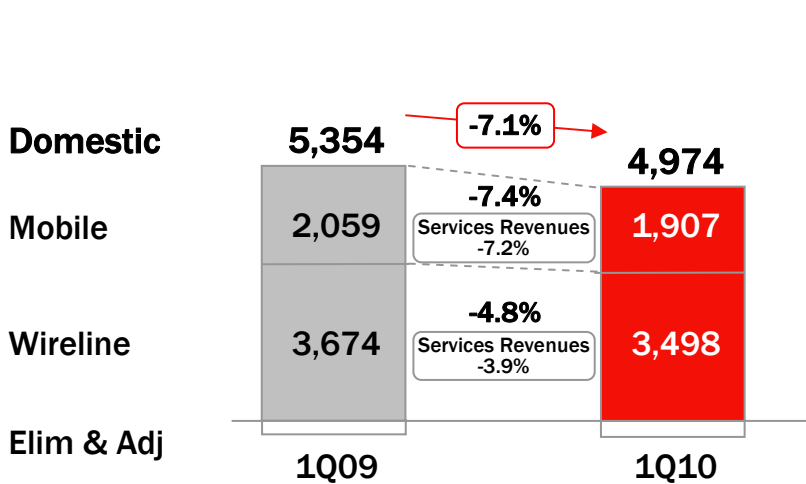
# Domestic Market: The Transformation Journey - 1Q 2010 Main Achievements



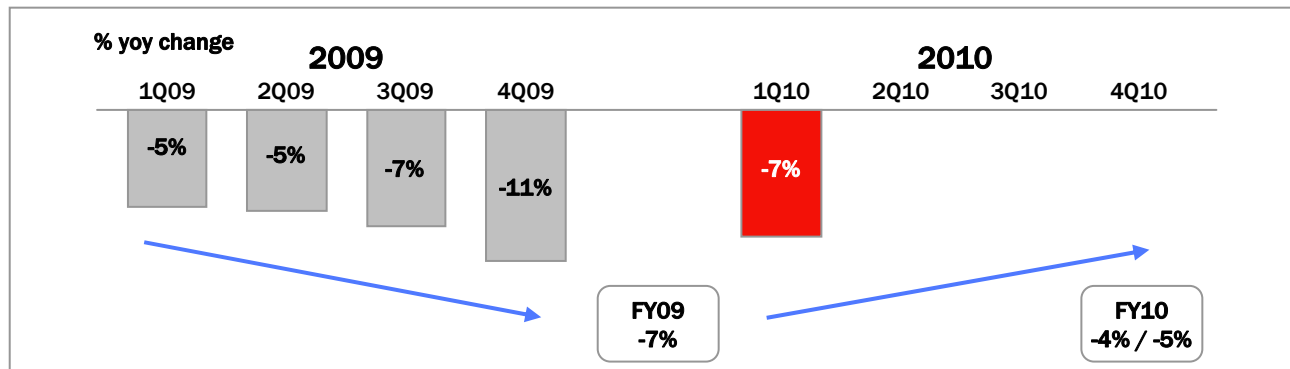
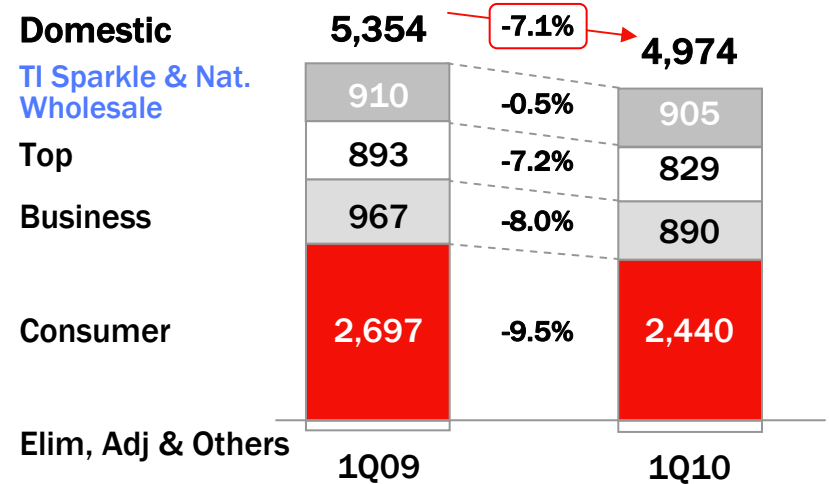
# Domestic Revenues: On the Right Track

Euro mln, Organic Data

## Domestic Revenues by Technology



## Domestic Revenues by Customer Segment



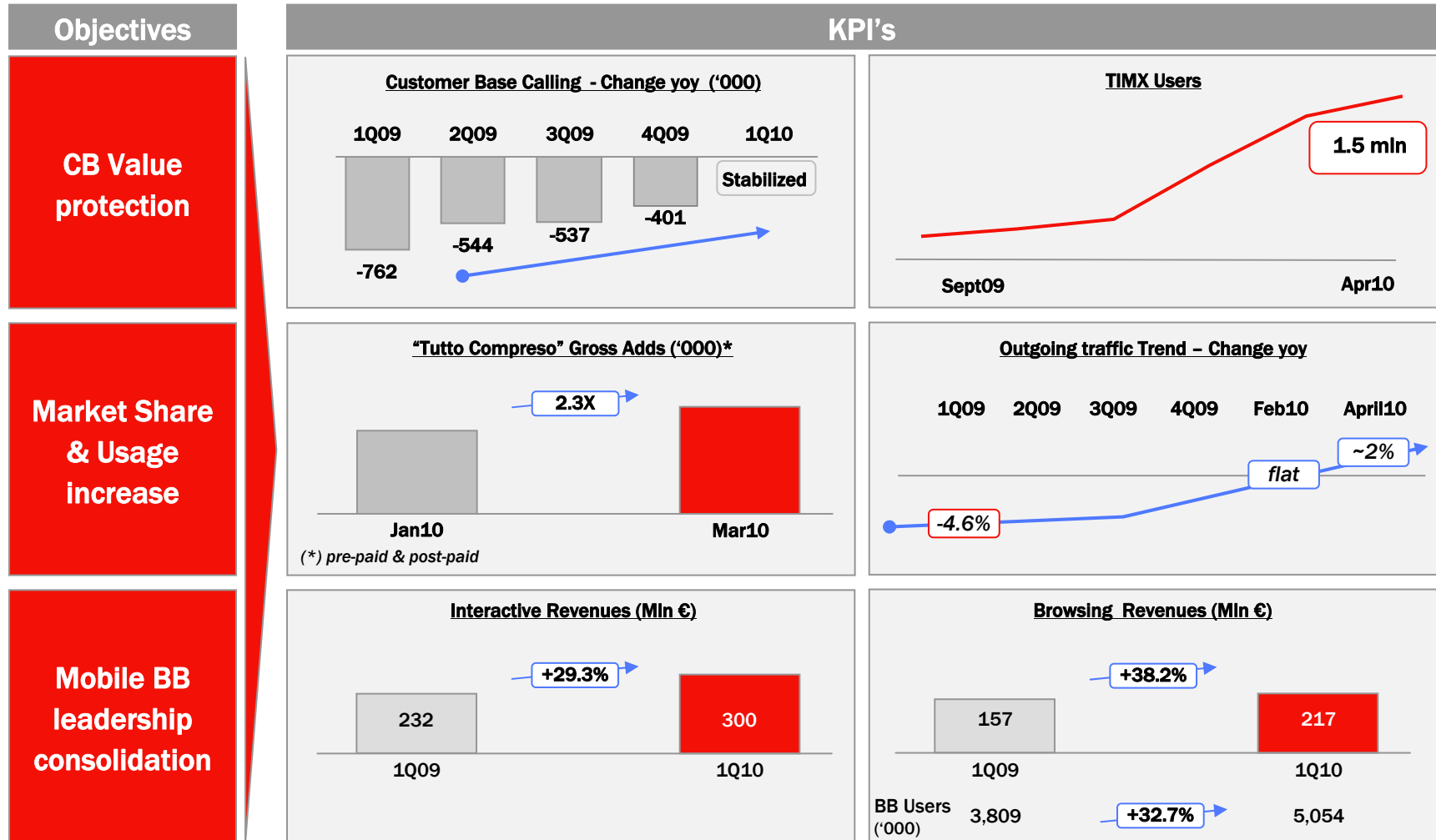
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## Reverse Revenues Trend - Domestic Mobile Revenues

	1Q09	1Q10	Δ% YoY	Δ% 4Q 09/08	Change vs. 4Q09	
<b>Total</b>	2,059	1,907	(7.4)	(19.3)	+12 p.p.	
<b>Services</b>	1,993	1,850	(7.2)	(12.9)	+6 p.p.	
<b>o/w Outgoing Voice</b>	1,154	991	(14.1)	(14.6)	flat	<b>Stabilized:</b> price reduction; volumes rebound
<b>o/w VAS</b>	471	510	+8.3	(10.6)	+19 p.p.	<b>Reversed:</b> strong success of Internet Key bundle
<b>o/w Incoming</b>	304	287	(5.6)	(5.6)	flat	<b>Stabilized:</b> MTR impact, benefiting from ITX cost reduction
<b>Handsets</b>	66	58	(12.1)	(59.4)		<b>Resized:</b> strong focus on Internet key and 3G handsets

# Reverse Revenues Trend - Domestic Mobile: Main Evidences





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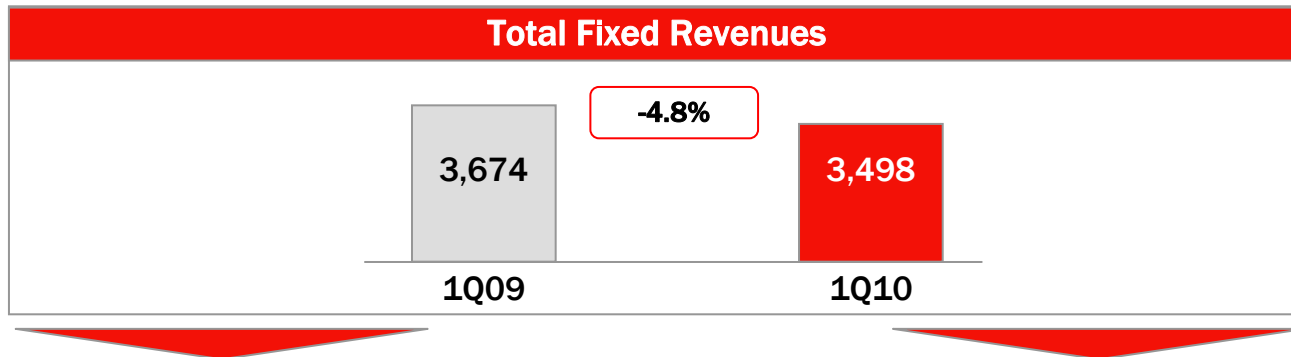
# Reverse Revenues Trend - Domestic Wireline Revenues

Euro mln, Organic Data, %

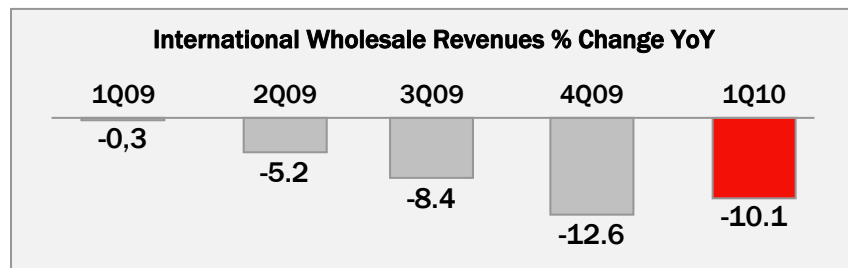
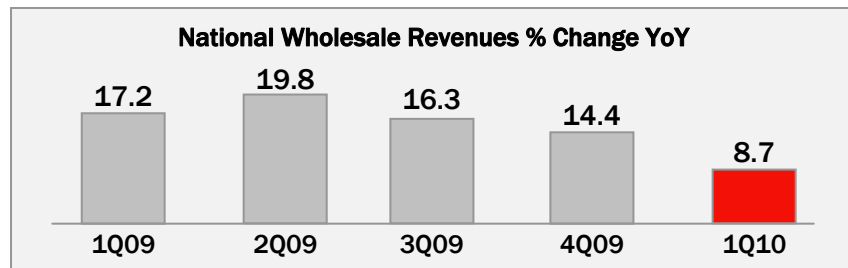
	1Q09	1Q10	Δ%YoY	
<b>Total</b>	3,674	3,498	(4.8)	
<b>Services</b>	3,543	3,406	(3.9)	
<b>Voice</b>	1,744	1,551	(11.1)	
<b>Internet</b>	402	432	+7.5	BB Services +8.9%
<b>Business Data</b>	320	294	(8.1)	ICT Services +0.8%
<b>Wholesale</b>	1,007	1,035	+2.8	
National	689	749	+8.7	
International	318	286	(10.1)	
<b>Other</b>	70	94	n.m.	
<b>Handsets</b>	131	92	(29.8)	

# Reverse Revenues Trend - Domestic Fixed: Retail and Wholesale Dynamics

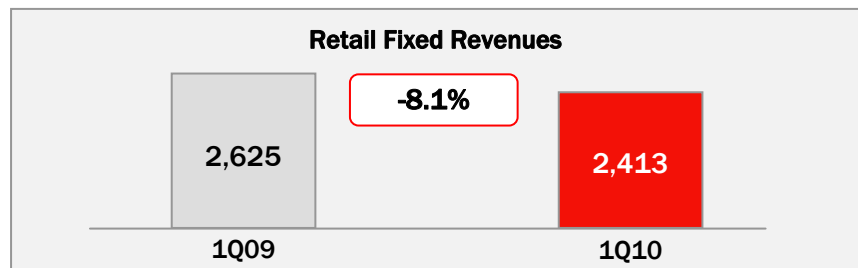
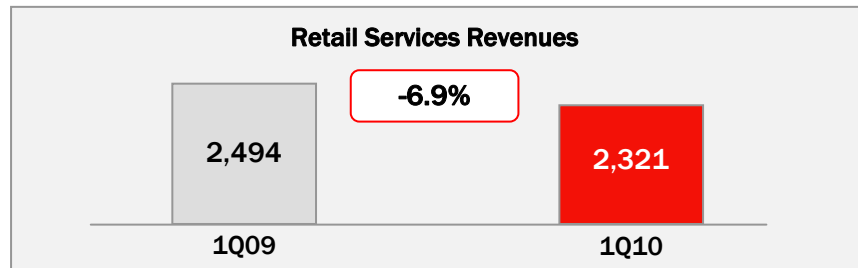
Euro mln, Organic Data, %



## TI Wholesale Lower OLO growth/Reduced Push on Low Margin Itz Revenues

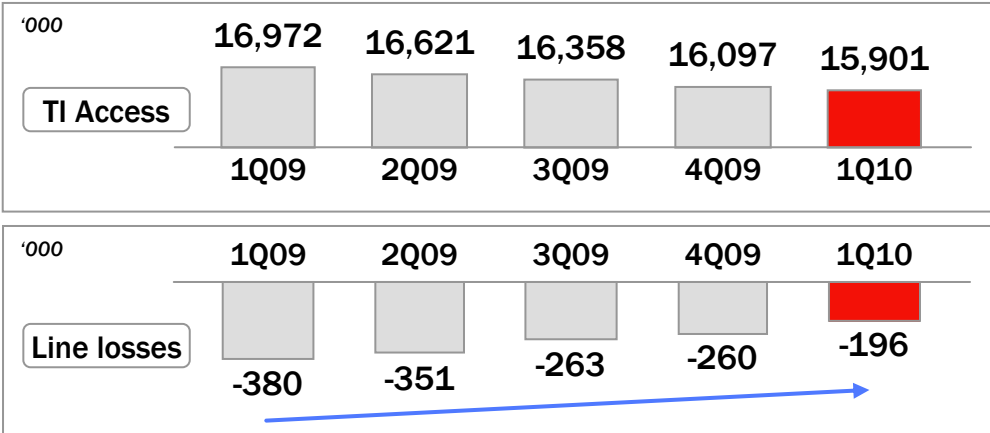


## TI Retail Stabilizing Loss on Access



# Reverse Revenues Trend - Domestic Fixed: TI Access Performance

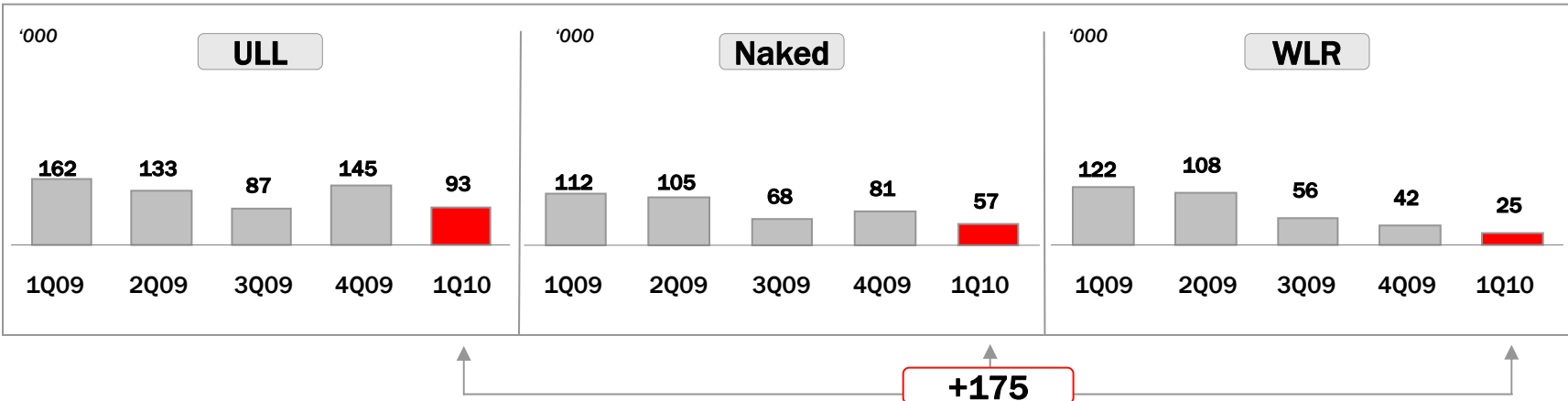
## Telecom Italia Retail Access Evolution & Line Losses



## Key Highlights

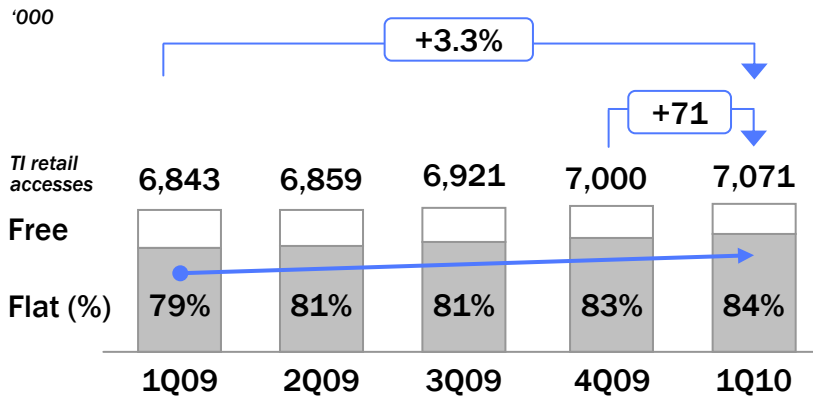
- ▶ Lowest line losses level since first quarter 2009 through successful retention activities
- ▶ Decreasing Trend on wholesale products such as Wholesale Line Rental and Naked

## OLO Access Growth (TI Wholesale)

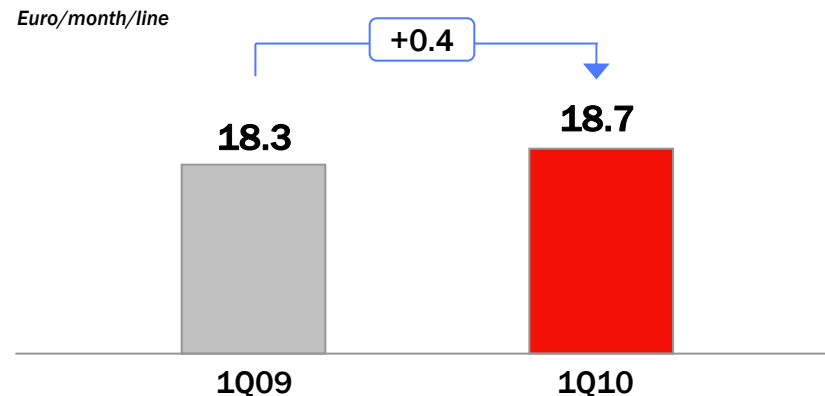


# Reverse Revenues Trend - Domestic Fixed: Focus on Broadband

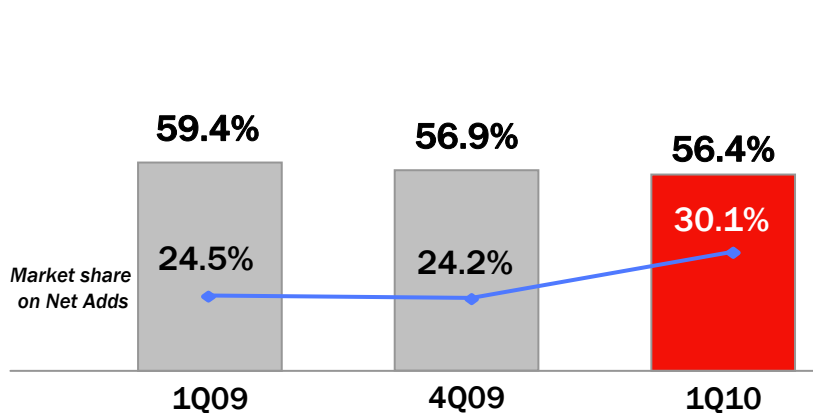
## TI Retail Broadband Accesses



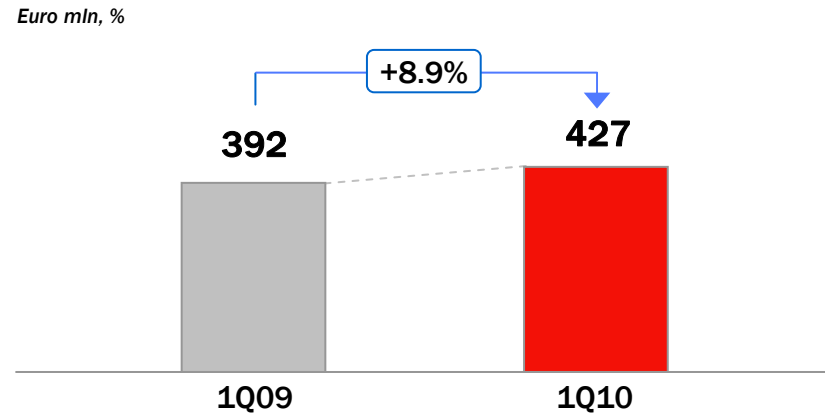
## Broadband ARPU



## Market Share Broadband



## Broadband Services Revenues



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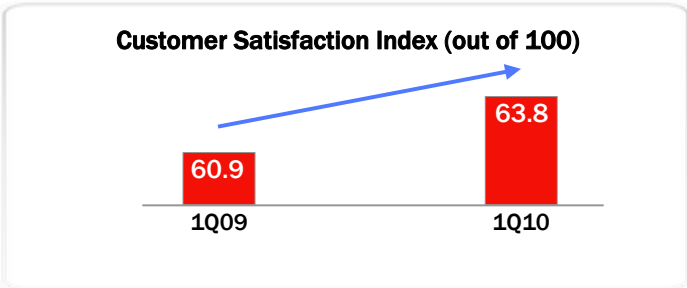
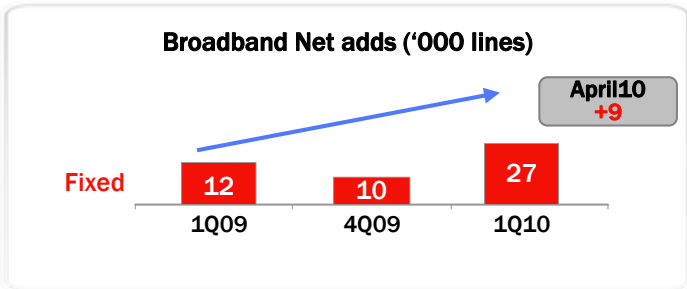
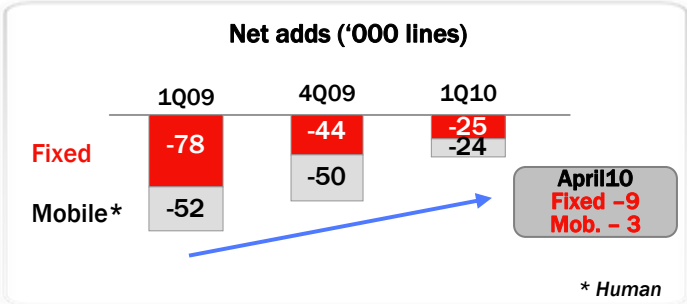
# Reverse Revenues Trend - Business Main Achievements in 1Q10

**Boost Mobile Customer Base & Stop Losses of Fixed Customers**

## Key Activities

- ▶ Improved TI positioning based on Impresa Semplice brand and higher Quality of Service
- ▶ Increased commercial effort to improve share of BB services on Win-back and new customers
- ▶ BB Churn reduction due to higher Quality of Service
- ▶ Launch of new convergent offer (17k acquisitions in the first four months)

## Key Evidence



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# Excellence in Customer Satisfaction and Advertising Awareness

Reach Excellence in Customer Service increasing perceived quality through the most important "Touch Point" to the Customer

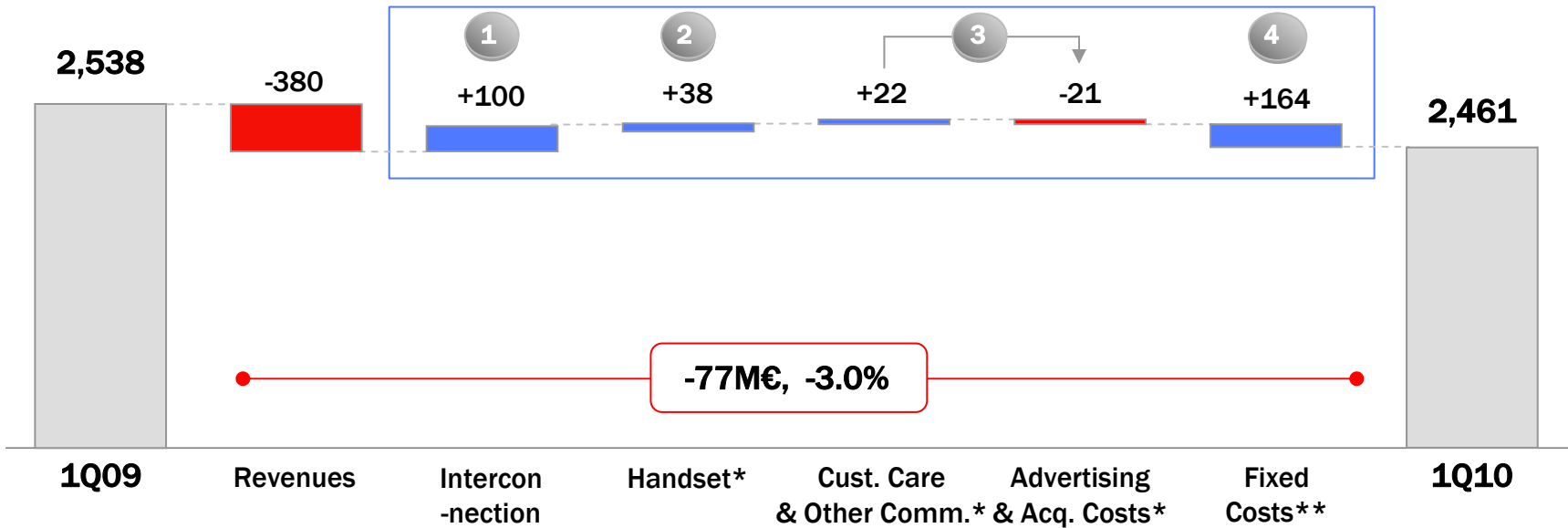
Key Activities	Key Evidence
<ul style="list-style-type: none"> <li>TIM ramps up to the top in Spontaneous Advertising Awareness</li> </ul>	<p><b>Spontaneous Advertising Awareness</b></p> <p>Source: STP GfK Eurisko 2007</p>
<ul style="list-style-type: none"> <li>Relevant increase in Fixed Customer Satisfaction Index, thanks to growing offering appeal, improvement in caring, customer relationship management and technical quality</li> </ul>	<p><b>Customer Satisfaction Index – Fixed</b> Consumer and Business Customers</p>
<ul style="list-style-type: none"> <li>TIM outperforms each competitor in terms of both broadband coverage and throughput</li> </ul>	<p><b>Mobile Broadband Throughput</b> HSPA - Main Cities 4Q09</p>

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# Domestic: EBITDA Analysis

Euro mln, Organic Data, %



<p>1 Focusing on on-net traffic and MTR impact</p>	<p>3 Boost on Advertising and Acquisition offset by efficiency on other Commercial Cost</p>
<p>2 Completing revenues mix re-engineering</p>	<p>4 Progressing on efficiency programs</p>

(\* Marketing & Sales (\*\* Includes Industrial+Personnel+G&A+Other

# Progress on Domestic Efficiency Plan

Euro mln, Organic Data, %

Delta Cash Cost 1Q10 vs 1Q09			Δ ITX	Δ Vol. Driven	Δ Efficiency	Netwk Ops	Mktg & Distrib.	Org. & Support	IT	COP	Delivery & Assur.	Building & Energy
	1Q10	Δ Abs '10 vs '09										
<b>Total Opex</b>	<b>2,513</b>	<b>-303</b>	<b>-100</b>	<b>-62</b>	<b>-141</b>	-2	-9	-63	+3	-26	-14	-30
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>-75</b>			<b>+27</b>		<b>-38</b>	<b>-9</b>
<b>Total Cash Cost</b>		<b>-384</b>	<b>-100</b>	<b>-48</b>	<b>-236</b>	<b>-77</b>	<b>-9</b>	<b>-63</b>	<b>+30</b>	<b>-26</b>	<b>-52</b>	<b>-39</b>

26% of FY10 Target