

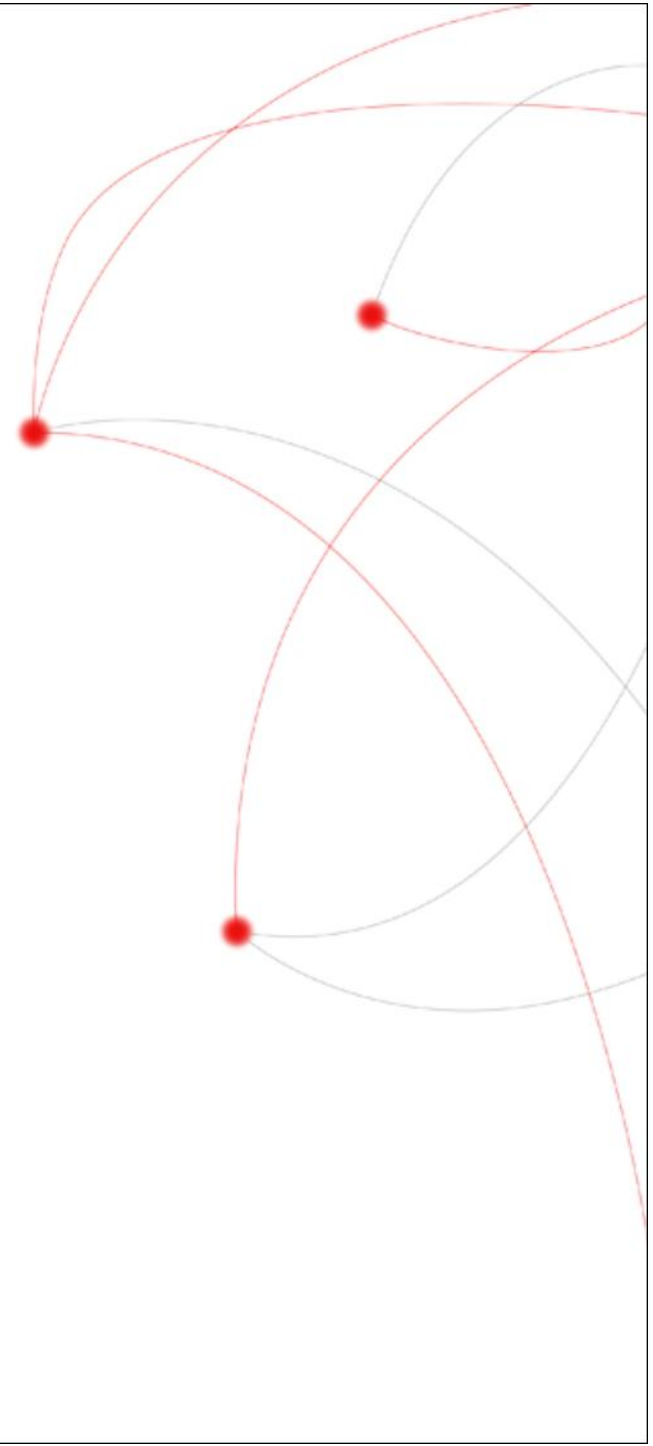
TELECOM ITALIA GROUP

## **1H 2009 Results**

Milan, August 6<sup>th</sup>, 2009

# **Telecom Italia 1H09 Results**

FRANCO BERNABE'



## 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.

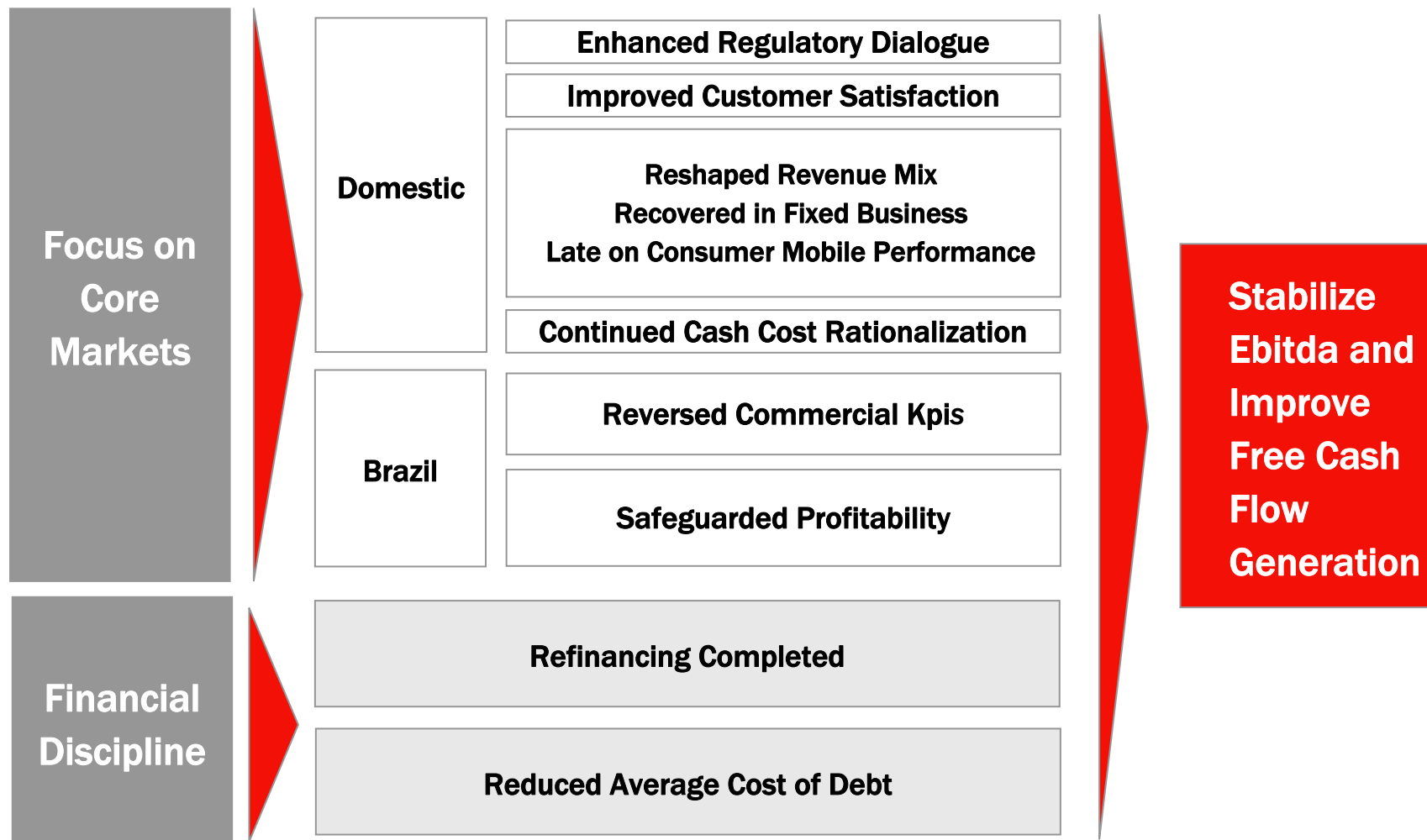
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Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia Spa undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telecom Italia Spa business or acquisition strategy 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

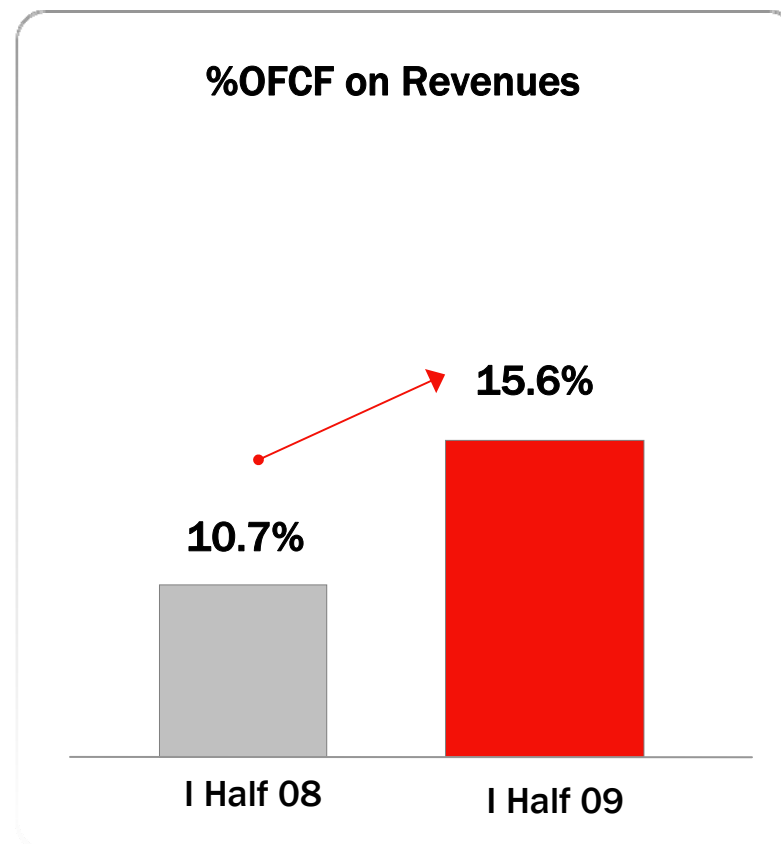
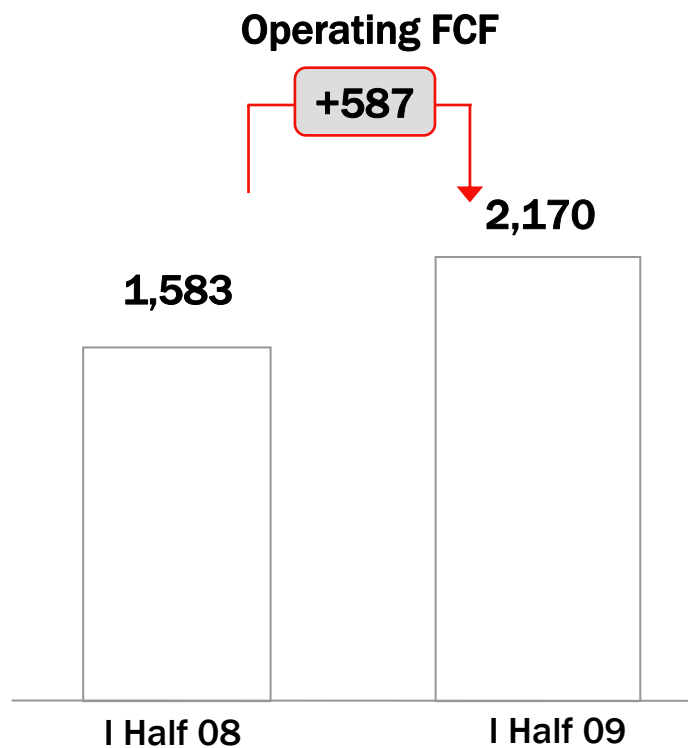
- ▶ **TI Group Main Achievements**
- ▶ Focus on Domestic Business
- ▶ Focus on TIM Brasil
- ▶ Wrap Up

# TI Group 1H 09 Progress Report



# Improved Operating Cash Flow

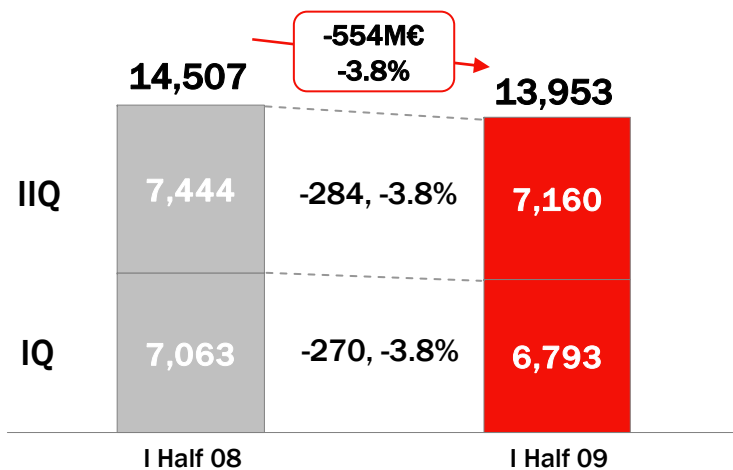
Euro mln, Reported data



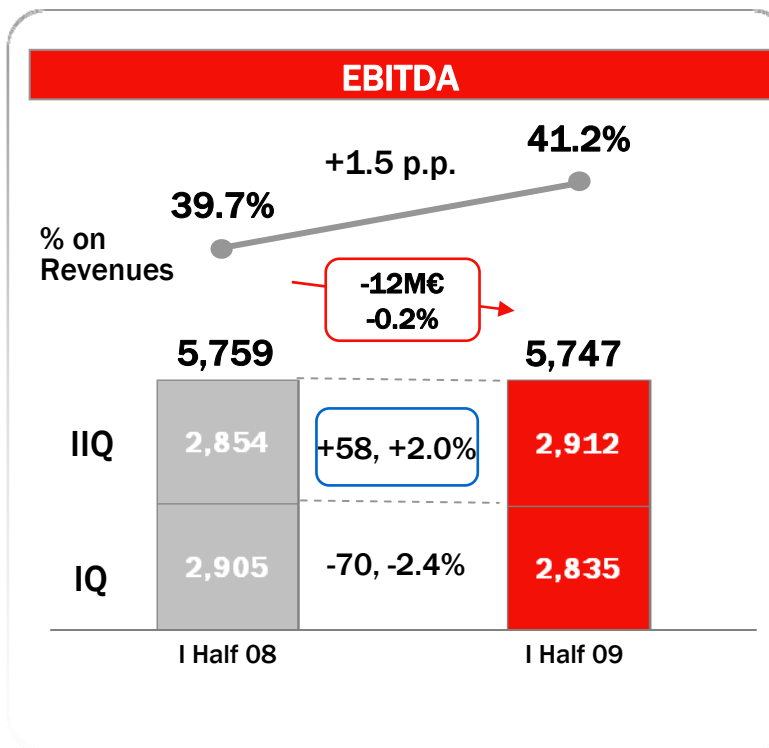
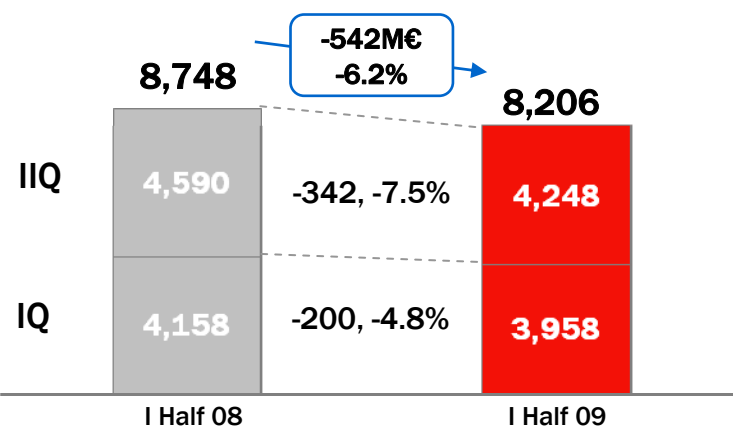
# TI Group Improved Profitability: Organic Results vs. 2008

Euro mln, %

## Revenues

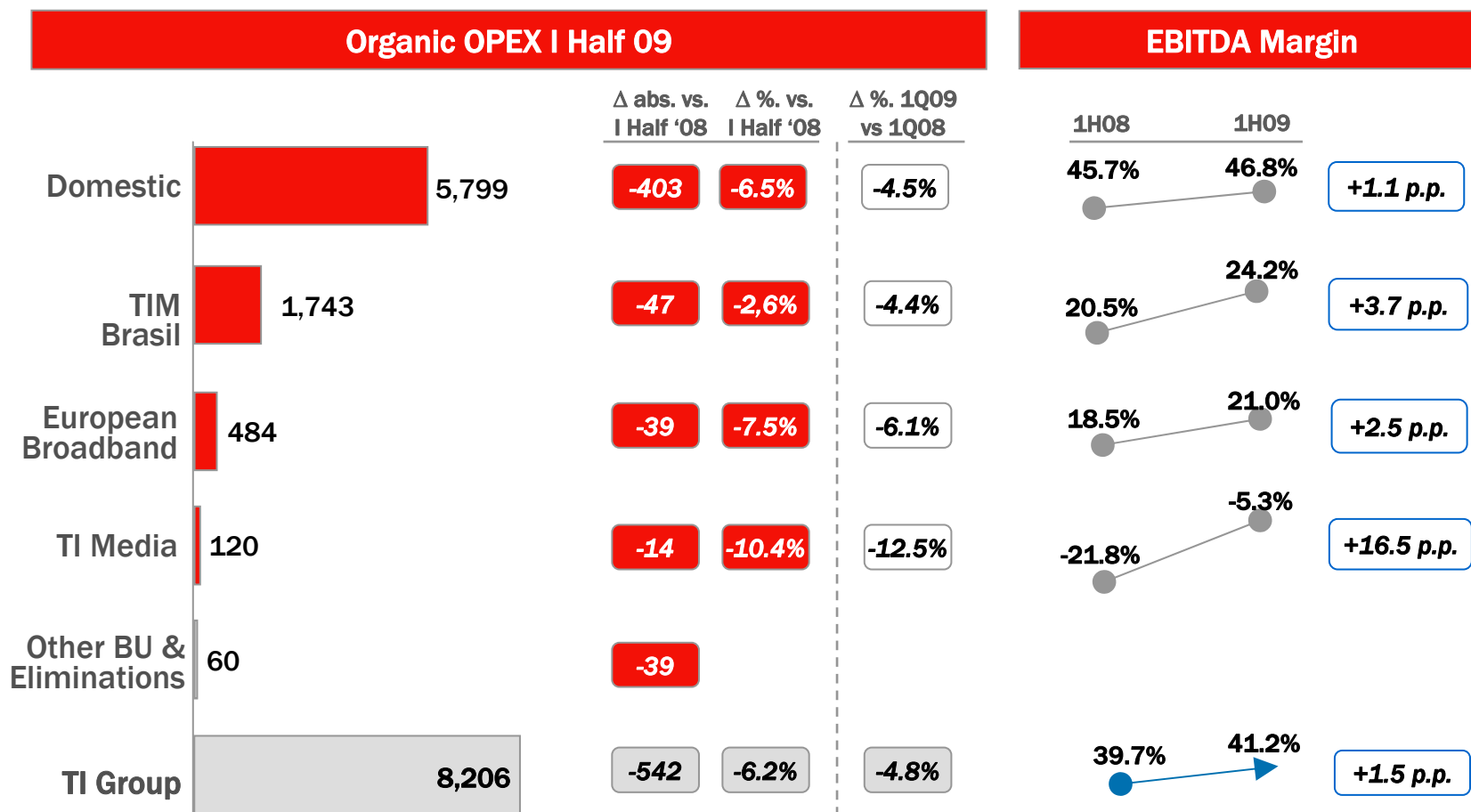


## Opex



# Cash Cost Control: a Group-Wide Commitment

Euro mln, Organic data, %



# Domestic: Efficiency Program on Track

Euro mln, Organic data, %, Units

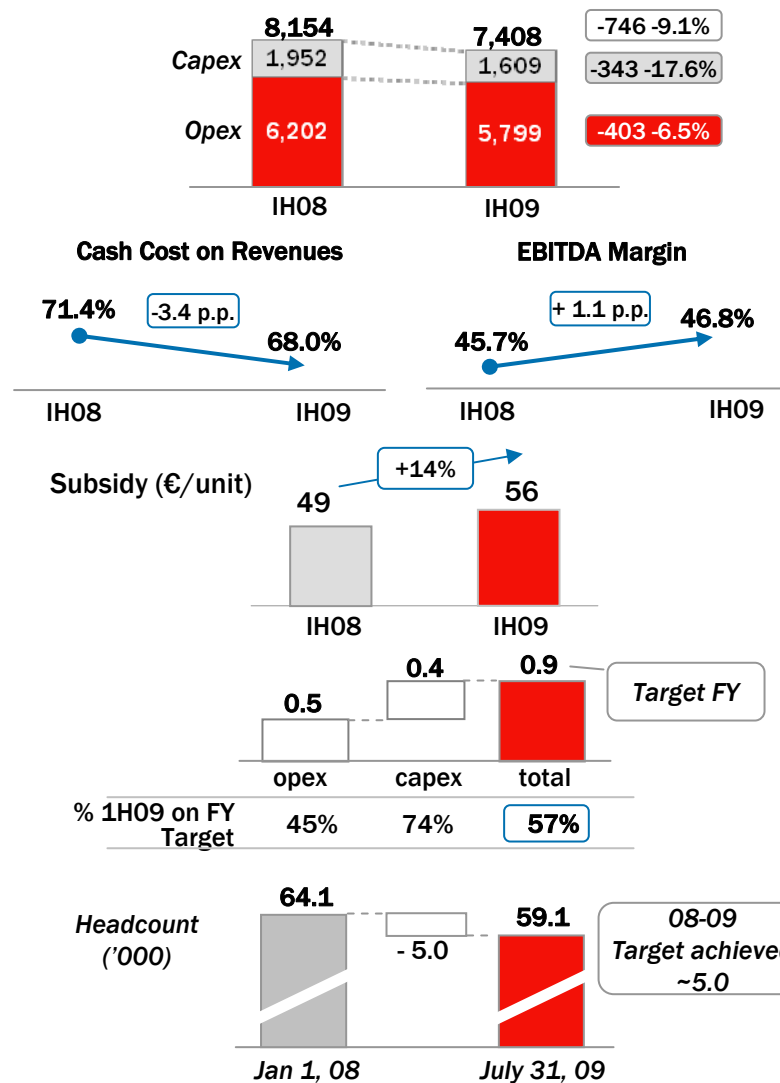
**Strong Cash Cost-Cutting Program**

**Reducing Cash Cost on Revenues  
Improving Profitability**

**Selective Cost Control**

**Efficiency on Track vs. FY Target**

**Moving towards a Lean  
Organization**

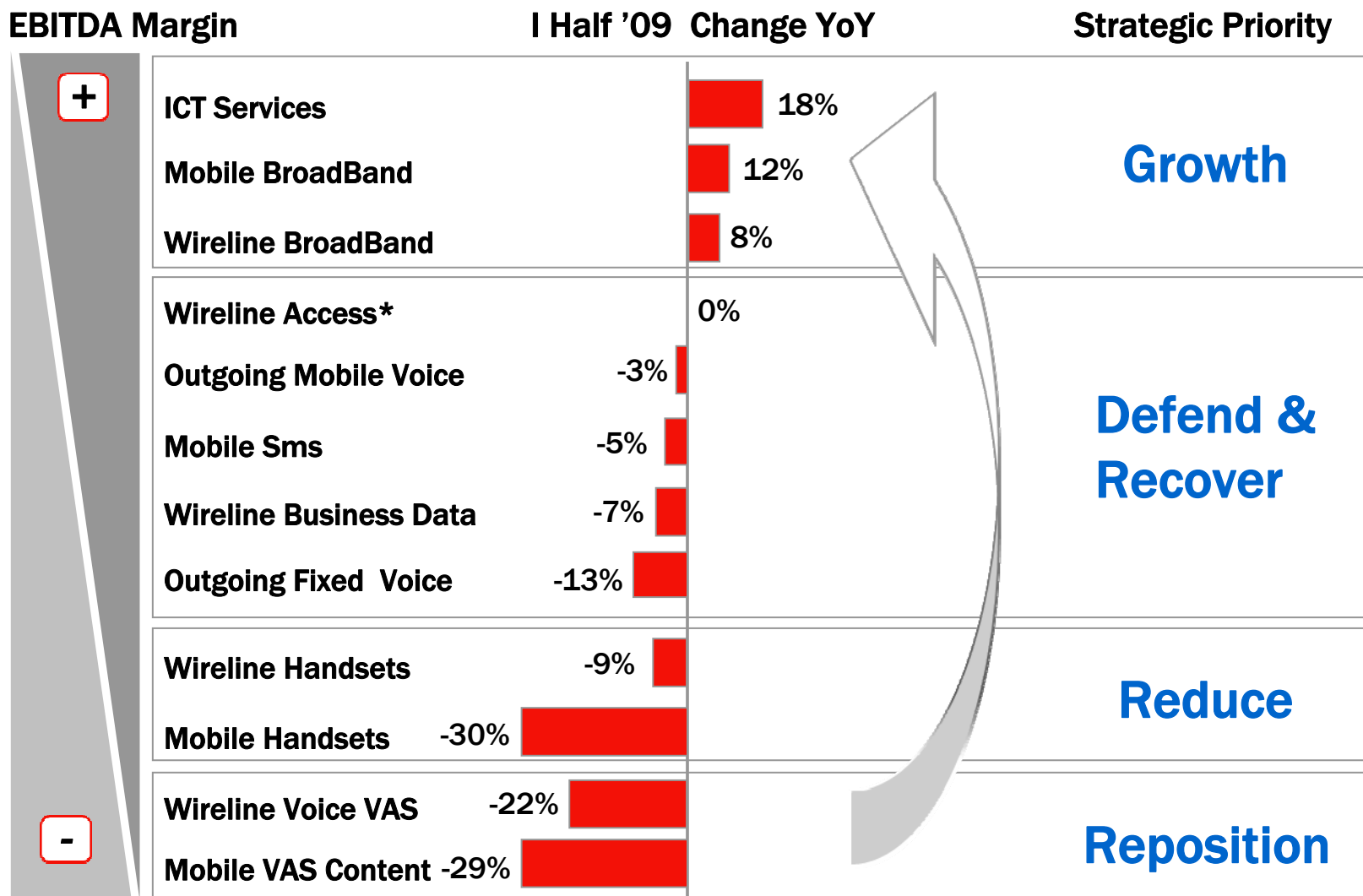




## Agenda

- ▶ TI Group Main Achievements
- ▶ **Focus on Domestic Business**
- ▶ Focus on TIM Brasil
- ▶ Wrap Up

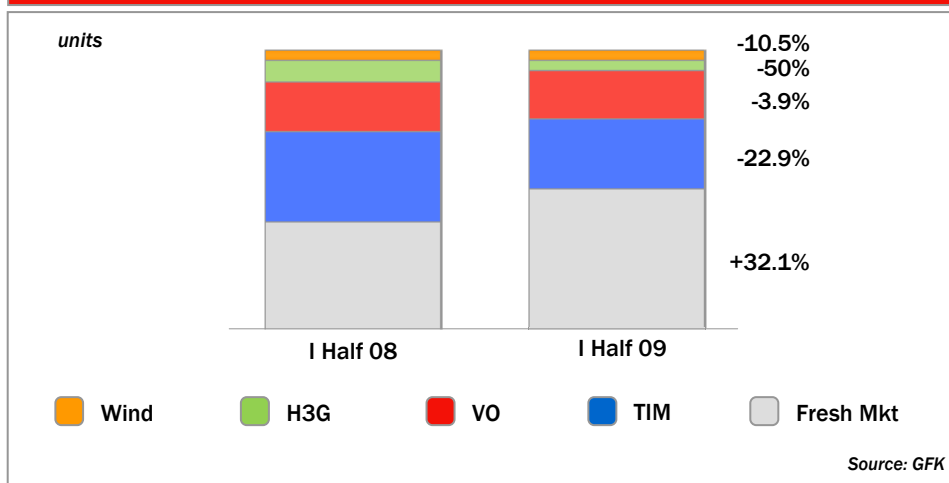
## Domestic: a Revised Revenues Mix...



## ...a Rationalized Handset Strategy...

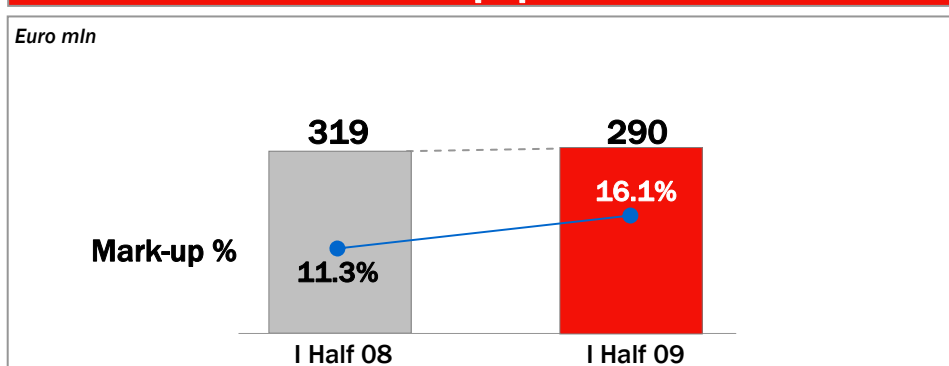
Distribution focused on data enabling devices to support revenues and reduce pay-back period in mobile

### Italian mobile handset market: share on sell-out



- ▶ Market share trends confirm overall reduction of push by all mobile operators
- ▶ TI's rationalization reduces low-end handsets distributed through TIM channels without a bundled mobile service
- ▶ Stop on 2G handset subsidy to finance efficiency & growth
- ▶ TI confirms leadership in ARPU generating segments:
  - ▶ Smartphone: ~42% m-share
  - ▶ i-Phone ~58% m- share

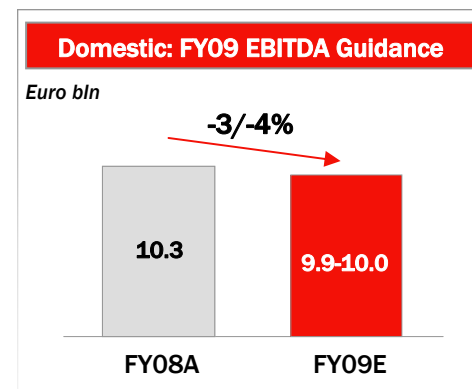
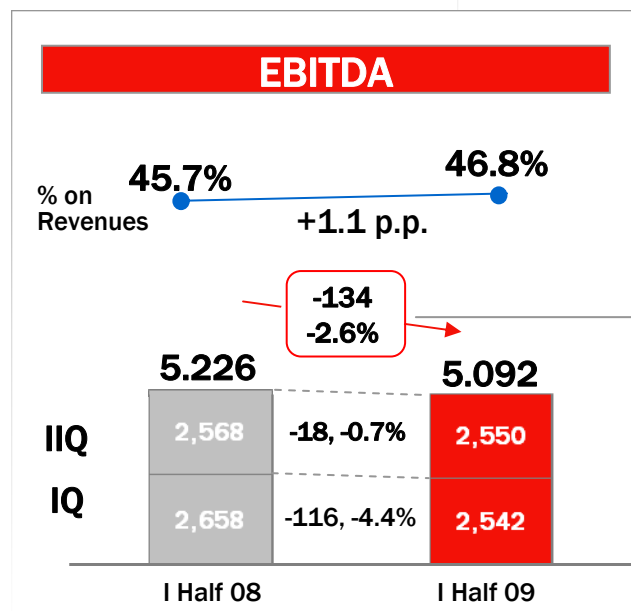
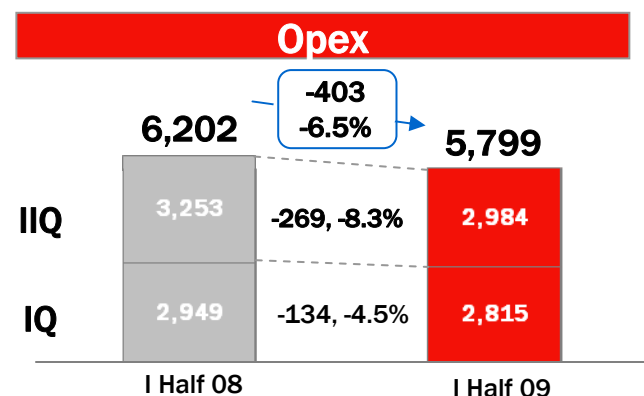
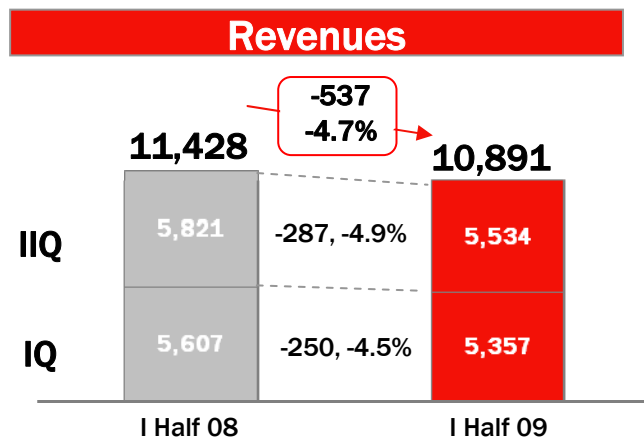
### Domestic fixed equipment revenues



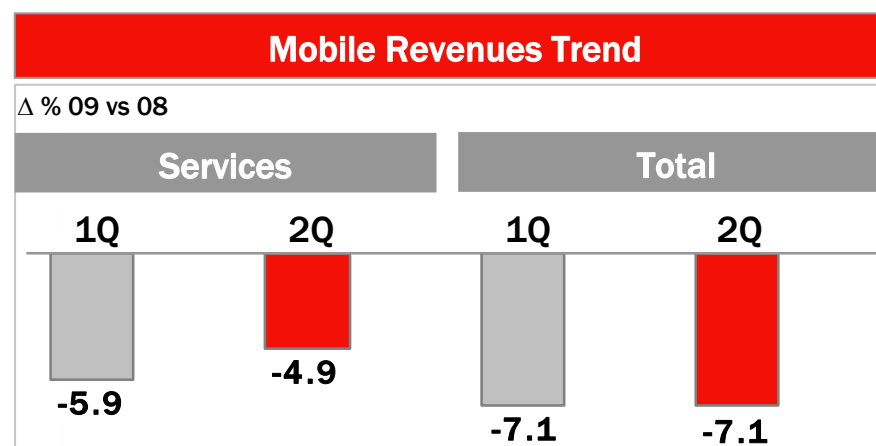
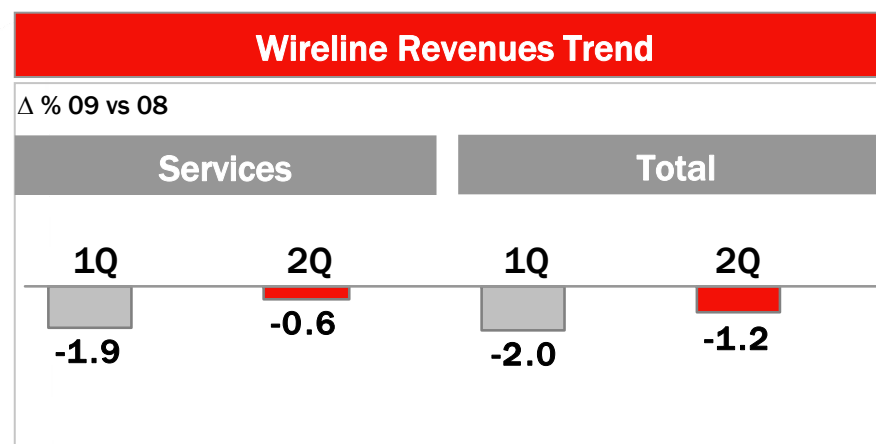
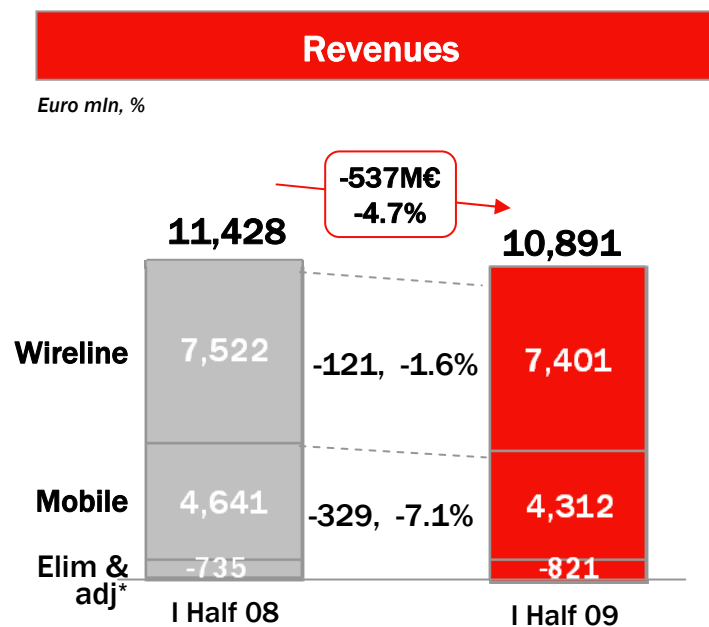
- ▶ Focus on ICT integrated solutions for TOP Customers
- ▶ Exit from Non ARPU generating Voice equipment to focus on value rather than volume
- ▶ Unitary mark-up and volume increase of ICT drive overall margin uplift

# ...Positively Impacting Organic Margins

Euro mln, %

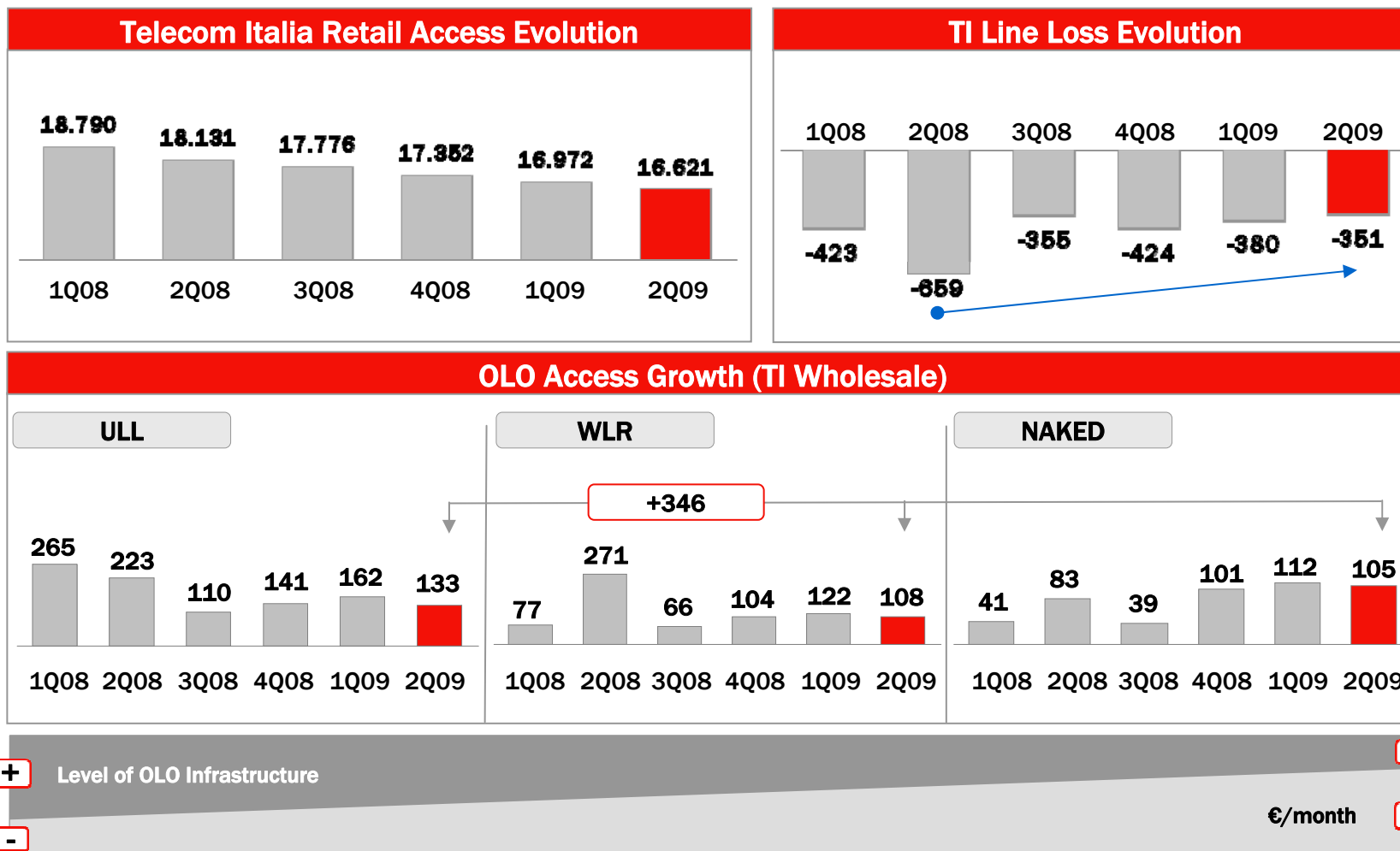


## Domestic: Top-Line by Technology



\* Change mainly attributable to +Δ leased lines

## Domestic Fixed: TI Access Performance



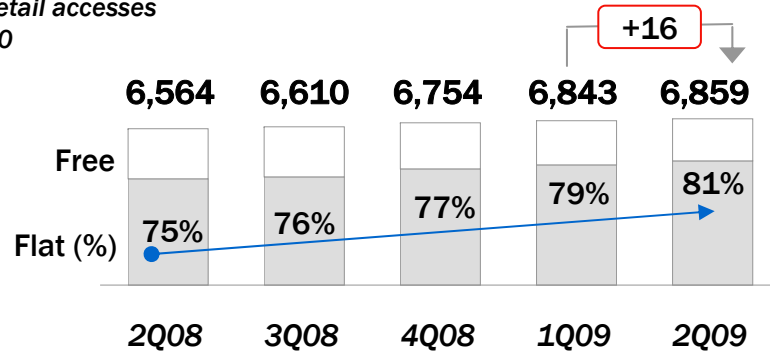
# Domestic Fixed: Focus on BB

## Broadband Market

Total Italian BB accesses  
'000

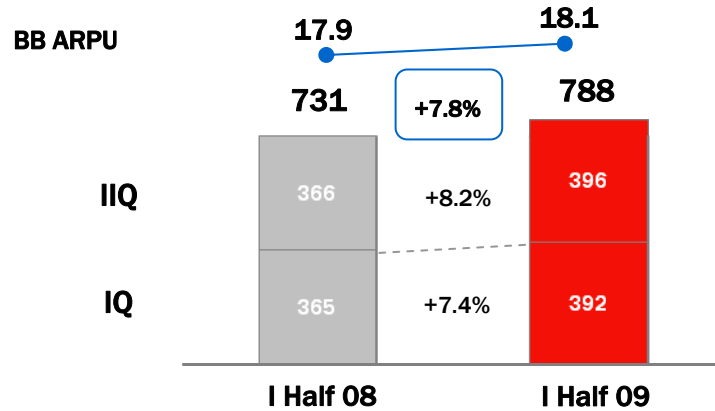
**10,660** **11,528** **11,775**

TI retail accesses  
'000

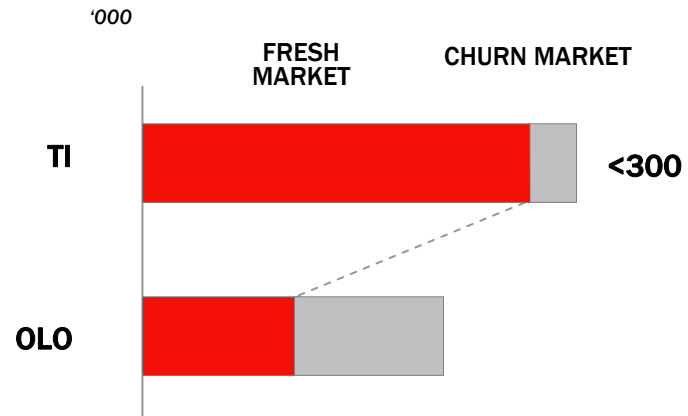


## Broadband ARPU and Service Revenues

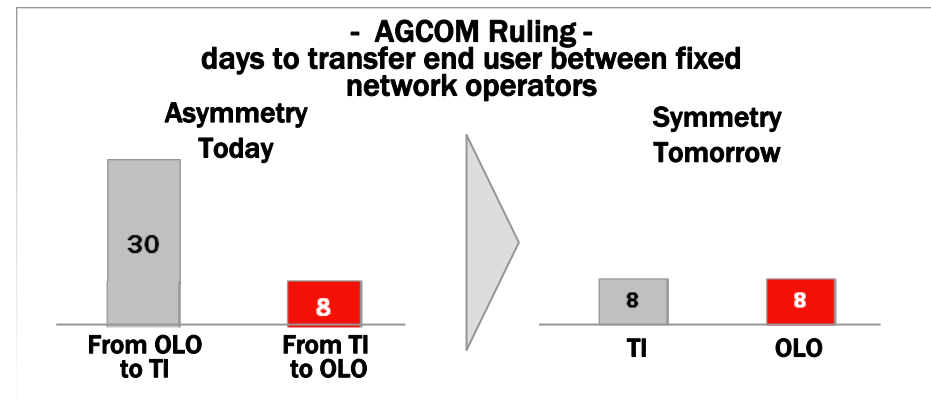
Euro million; Euro/month



## Broadband Activations 2Q09



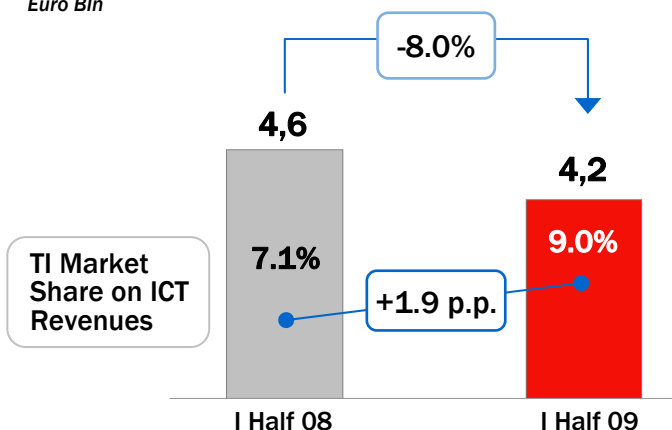
- ▶ TI BB net adds 7% market share reflects quarter:
  - ▶ Backlog reduction
  - ▶ Asymmetry in win back for TI



# Domestic Fixed: Focus on ICT

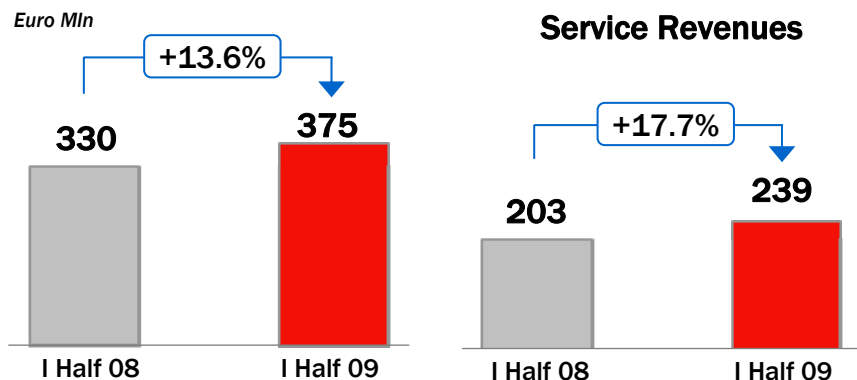
## Italian ICT Market Revenues Trend (\*)

Euro Bln



## Focus Telecom Italia ICT Revenues

Euro Mln



(\*) Source SIRMI

## Highlights

### Top / Large Account segment

- ▶ Winning “Structured Partnership” approach with leading IT/ICT players
- ▶ Enhance value of offer through:
  - ▶ close interaction with client
  - ▶ valorization of network infrastructure
  - ▶ project/realization of nextG IT services

### Business segment

- ▶ Strong leverage on “Impresa Semplice” brand to define TI distinctive positioning in SME segment
- ▶ Enrichment of horizontal solutions: certified e-mail, web collaboration, desktop mgmt
- ▶ Launch of first ICT vertical solutions tailored on specific client segments

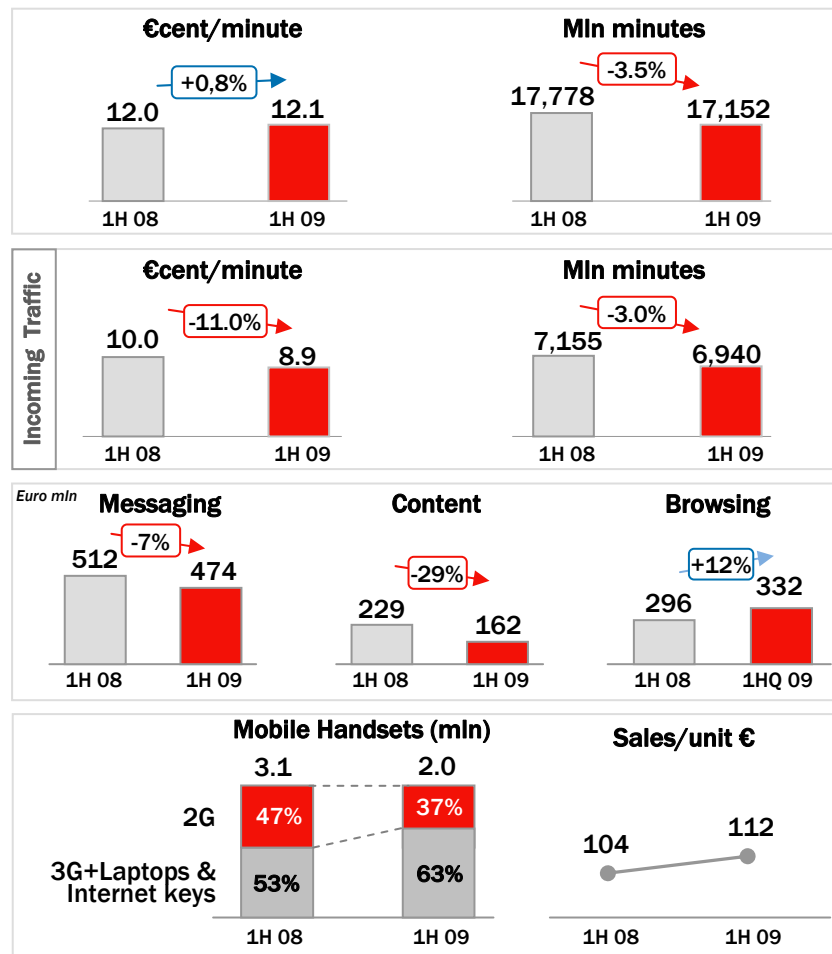


# Domestic Mobile Revenues

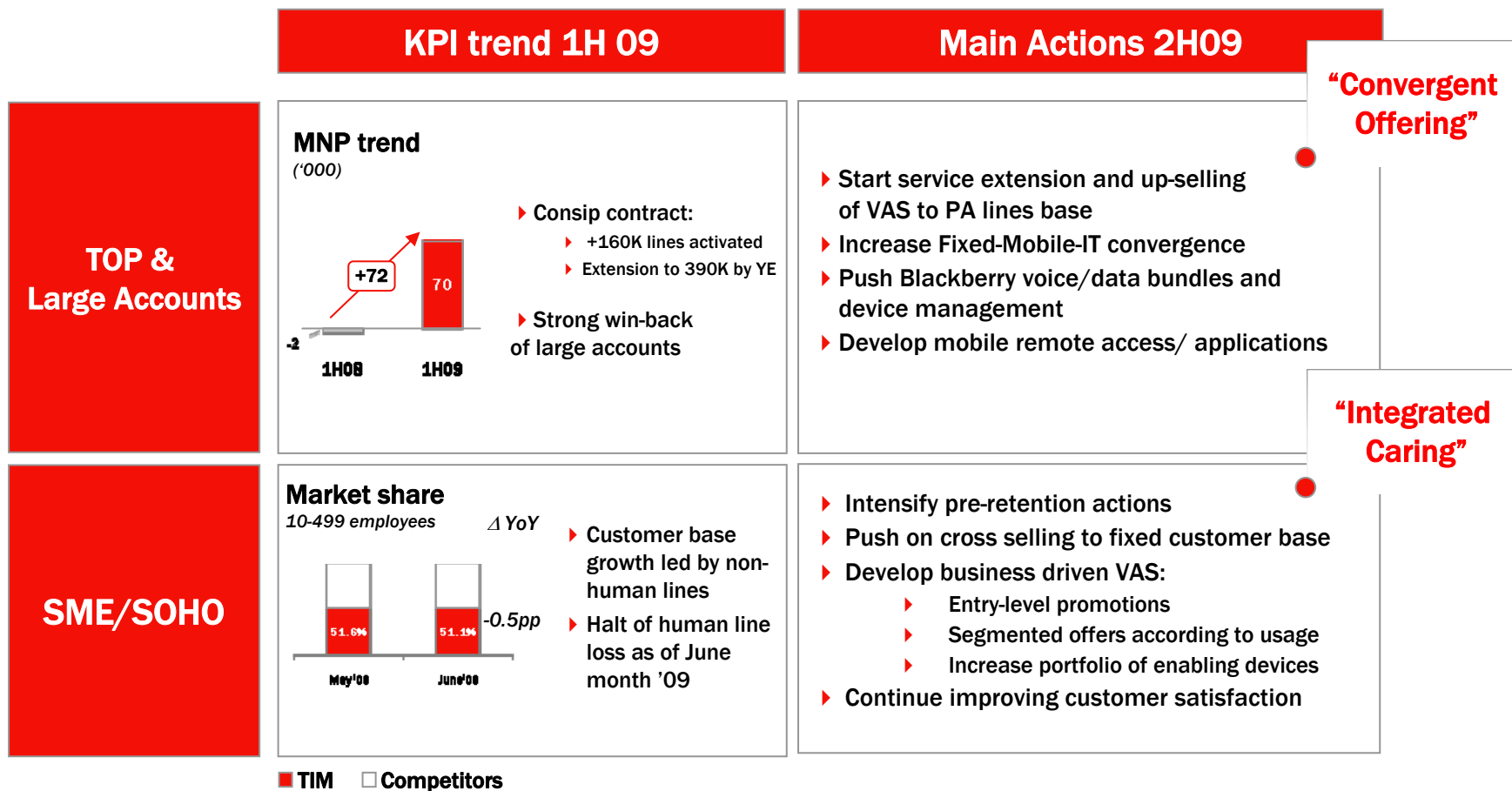
Euro mln

	1H'08	1H'09	Δ% YoY	
<b>Total</b>	<b>4,641</b>	<b>4,312</b>	<b>(7.1)</b>	=
<b>Outgoing Voice</b>	<b>2,417</b>	<b>2,340</b>	<b>(3.2)</b>	(1.7)
<b>Business Received *</b>	<b>862</b>	<b>776</b>	<b>(10.0)</b>	(1.8)
<b>VAS</b>	<b>1,037</b>	<b>969</b>	<b>(6.6)</b>	(1.5)
<b>Handsets</b>	<b>325</b>	<b>227</b>	<b>(30.2)</b>	(2.1)

(\* Incomig, Visiting and Other Revenues)



# Mobile TOP and Business Segments



# Mobile Consumer Segments

	Market Share trend 1H09	Main Actions 2H09	
<b>Elite</b>	<p>Δ YoY</p> <p>▶ Stable revenues trend due to high value CB growth</p>	<ul style="list-style-type: none"> <li>▶ Dedicated customer service for One2One caring</li> <li>▶ Step-up 24 month lock-in with flat offering and handset subsidy</li> <li>▶ Increase mobile BB penetration through upselling</li> </ul>	<b>“Lock-in”</b>
<b>Massive</b>	<p>▶ Loss of cost-conscious customers</p>	<ul style="list-style-type: none"> <li>▶ Strong push on acquisitions leveraging on new MNP and convenient tariff plans: <ul style="list-style-type: none"> <li>▶ MNP promotion with handsets value reimbursed in traffic to improve acquisition quality</li> <li>▶ Competitive price plan for high usage clients</li> </ul> </li> <li>▶ Develop usage through: <ul style="list-style-type: none"> <li>▶ One2One actions on-net</li> <li>▶ Broader Messaging offers extended to voice-only target</li> </ul> </li> <li>▶ Push mobile BB with strong lock-in on aggressive bundle offers</li> <li>▶ Upsell microbrowsing</li> </ul>	<b>“Win back &amp; invest on elasticity”</b>
<b>Young</b>	<p>▶ Loss of cost-conscious Tribù with high on net volumes</p>	<ul style="list-style-type: none"> <li>▶ Broaden Friends&amp;Family options to drive on-net volumes</li> <li>▶ Launch Special tariffs for text messaging using seasonal promotions (Carta Vacanze and Summer crash program)</li> <li>▶ Extend concept of Young communities to attack transversal communities leveraging same price architecture</li> </ul>	<b>“Reclaim”</b>

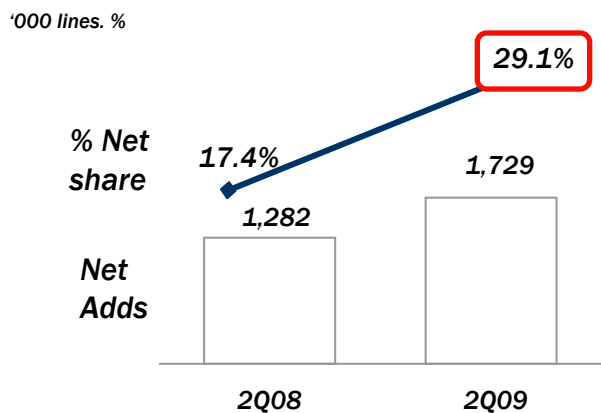
■ TIM □ Competitors

## Agenda

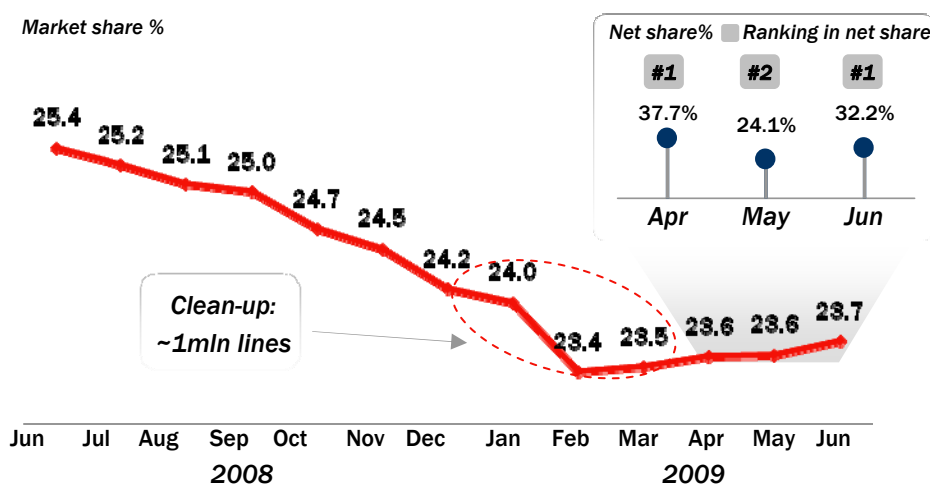
- ▶ TI Group Main Achievements
- ▶ Focus on Domestic Business
- ▶ **Focus on TIM Brasil**
- ▶ Wrap Up

# TIM Brasil: Reversing the Trend in Market Share and MNP

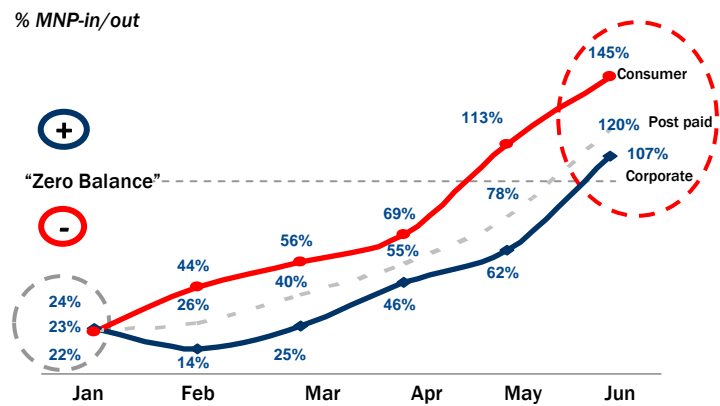
## Net Adds e Net Share TIM



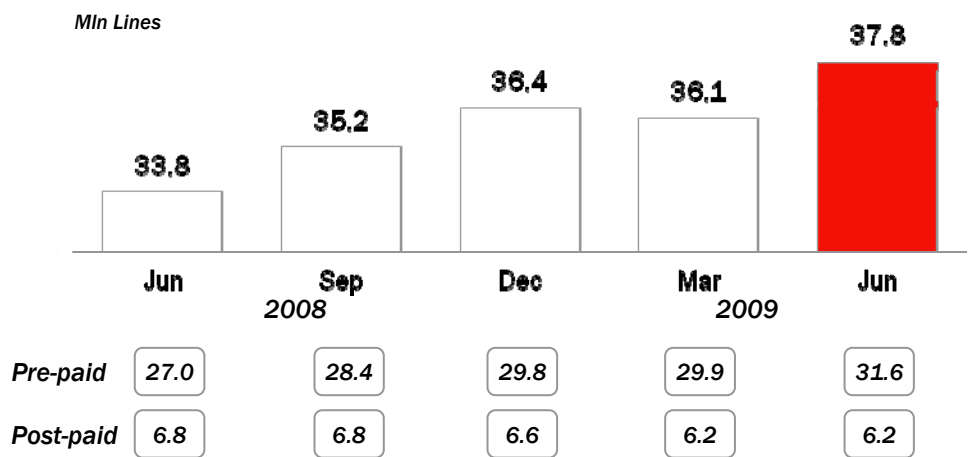
## Market Share TIM



## MNP Post Paid

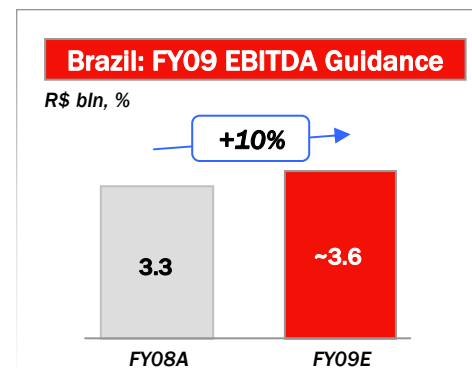
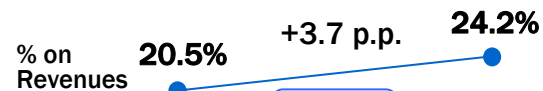
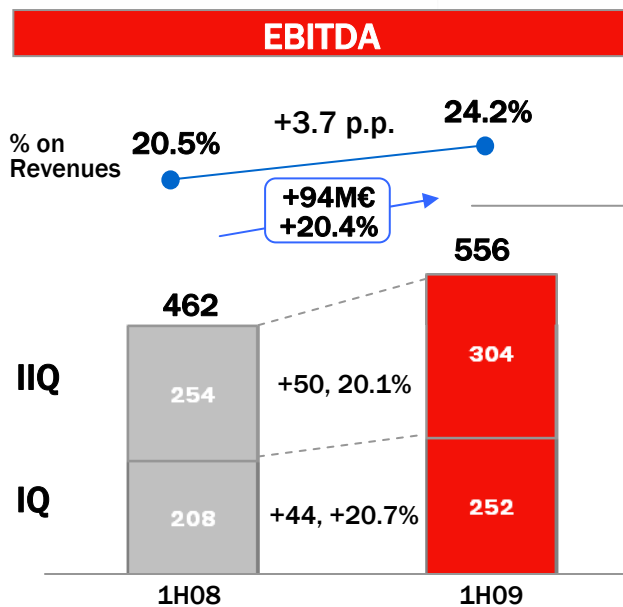
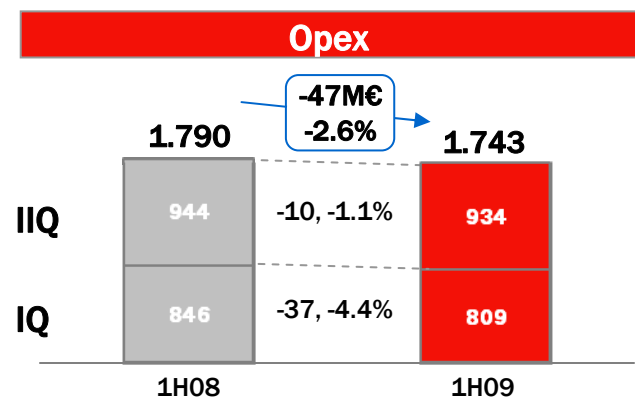
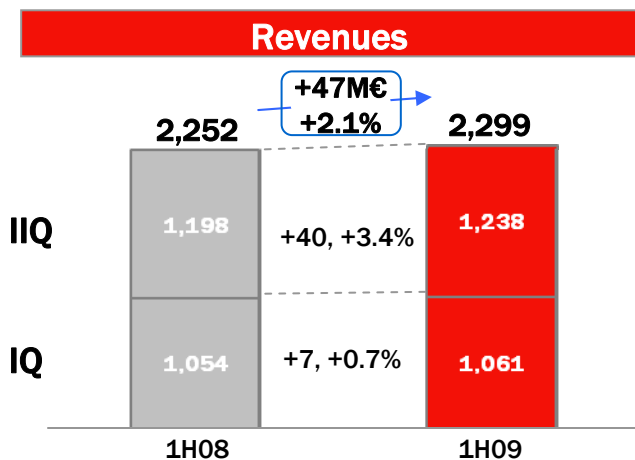


## Customer Base TIM

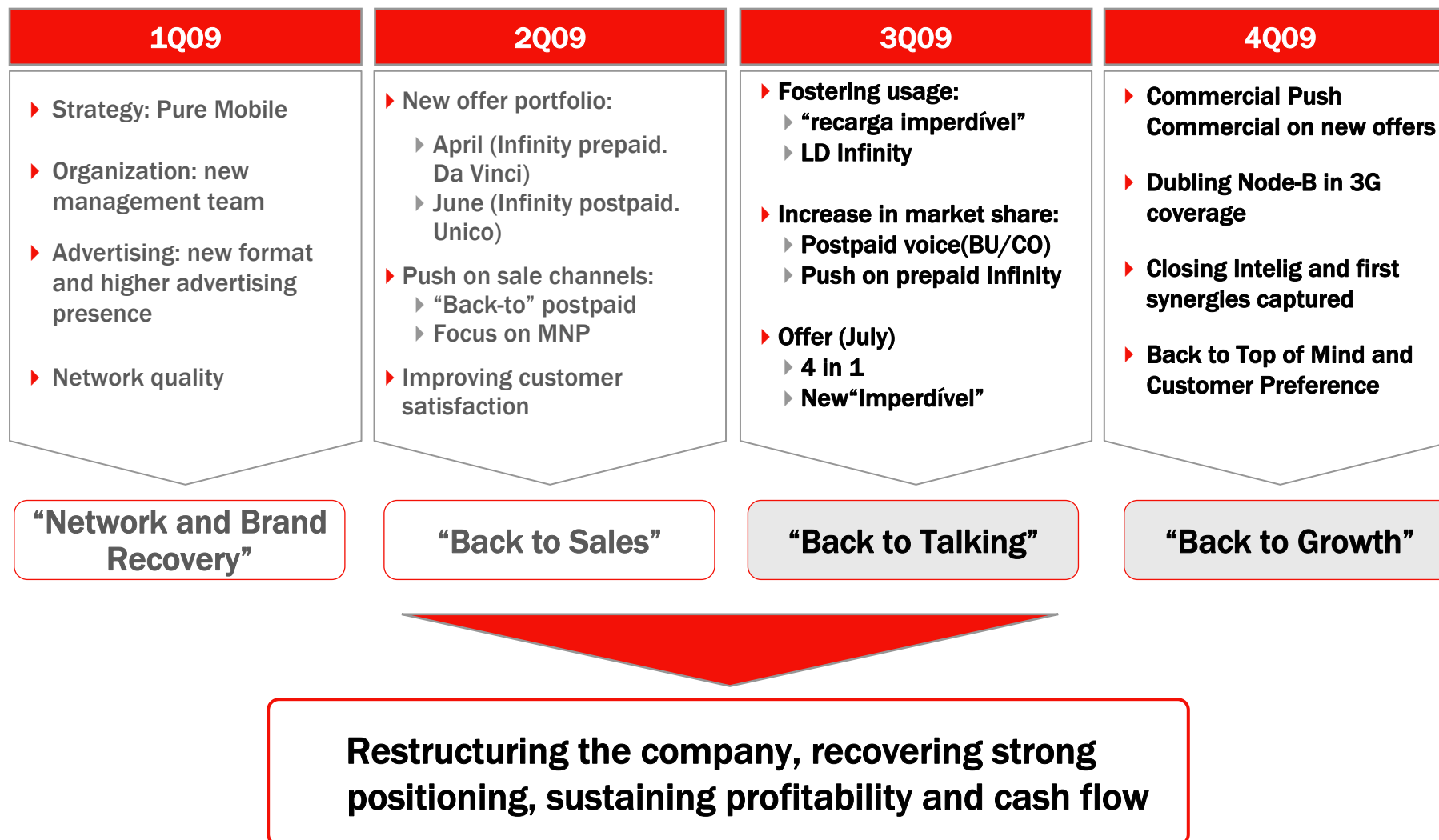


# TIM Brasil: Organic Main Results

Euro mln, %



## TIM Brasil: The Path Ahead Always Focusing on Profitability

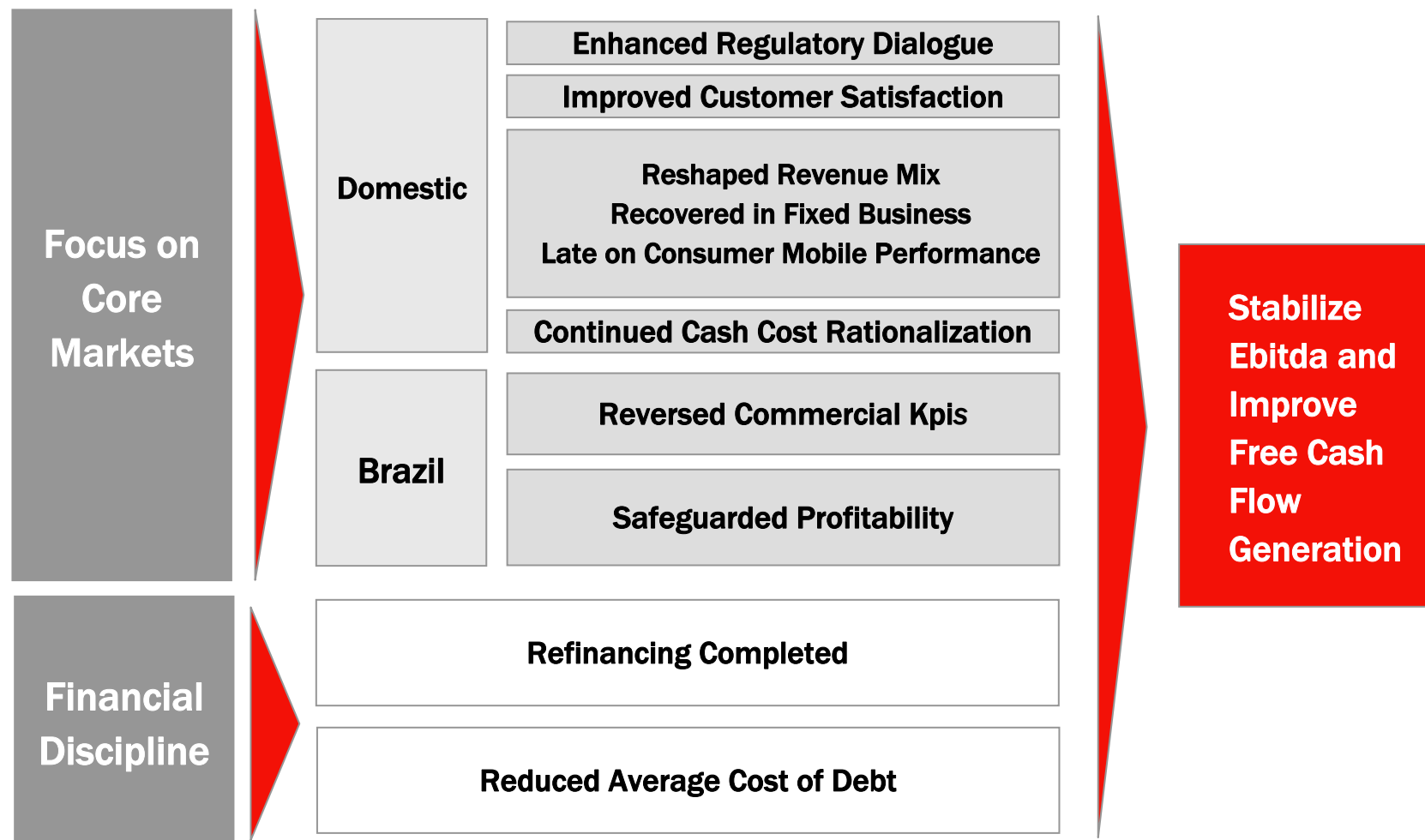


## Agenda

- ▶ TI Group Main Achievements
- ▶ Focus on Domestic Business
- ▶ Focus on TIM Brasil
- ▶ **Wrap up**



## TI Group 1H 09 Progress Report

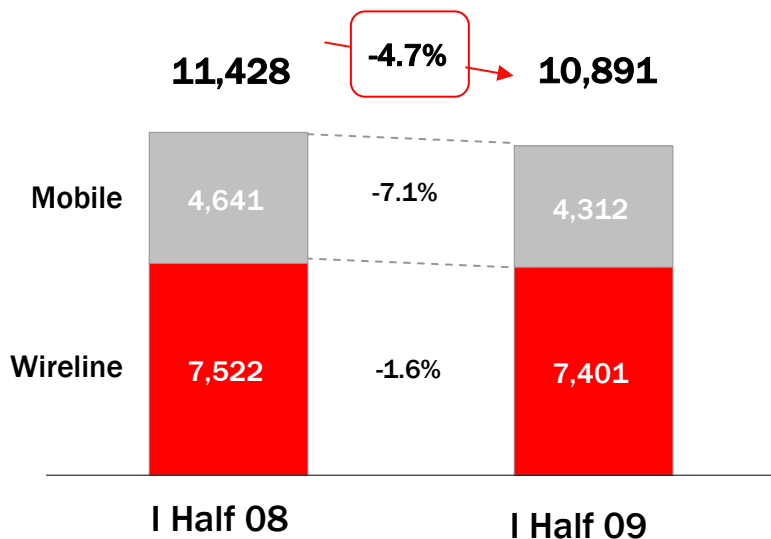


# Back-up

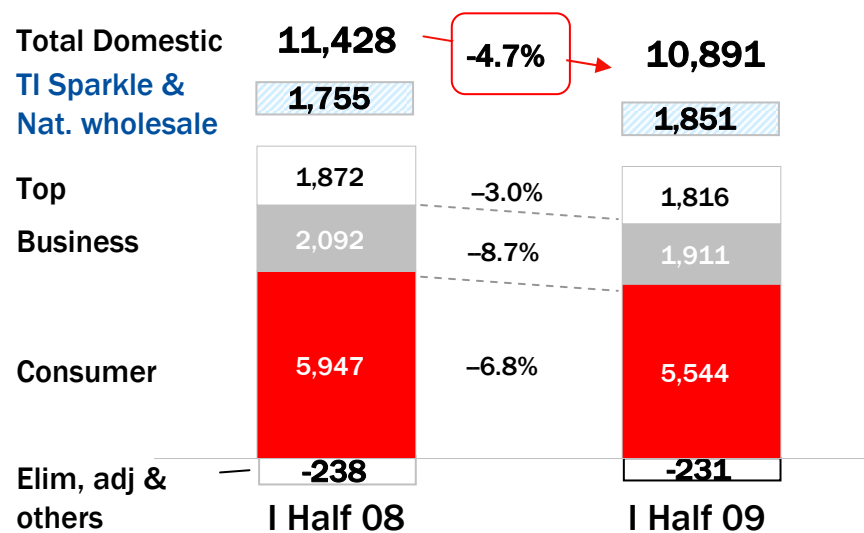
# Domestic: Revenues by Customer Segment and technology

Euro million, %; Organic data

## Domestic Revenues\* by Technology



## Domestic Revenues by Customer Segment

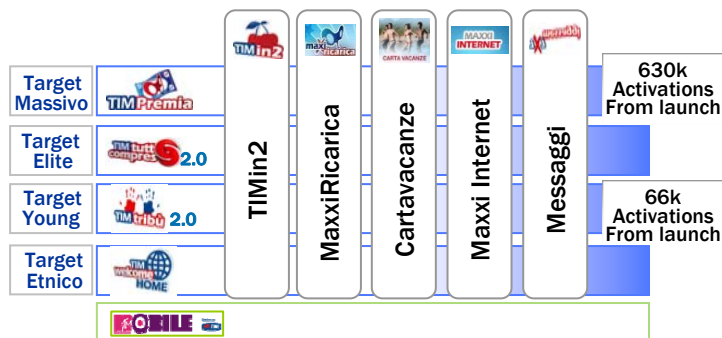


\* Domestic = Core domestic + TI Sparkle Group

# Consumer: Offering Roadmap

## Mobile 3Q

### Offering Portfolio



## Acquisitions

### MNP

- ▶ New promotion "Ti rimborso il telefono": handset value returned in traffic
- ▶ New exclusive concept for value acquisitions with a focus on Large Distribution
- ▶ Strengthening of cross MNP promotion

## TIM Welcome Home

Aggressive tariffs for international calls

## Traffico

- ▶ Carta Vacanze develop voice and sms traffic
- ▶ TIM in2 for on-net volume development

## Loyalty and retention

- ▶ Launch of new Club Premium for top clients
- ▶ Strengthening of "competitive like" retention offerings and Lock in plan for top clients

## Broadband 3Q

### Offering Portfolio



## BB Fixed + Voice

### Alice Day

Increase penetration of occasional ADSL users. Entry level offering monthly cost of 3 € (including basic modem basic) and daily 2€ token

## Anti Digital Divide

BB in areas not covered by ADSL. Wi-fi routermobile + traffic








## Voice

- ▶ Voce no limits: without monthly fee of 25 € rtg line + limitless F-F
- ▶ Opzione chiama Mobile in Retention e Win Back

## Mobile BB

- ▶ Alice Mobile Quickstart: increase mobile BB penetration among ADSL customers, 3 €/month (for 24 months), including 3 h of traffic, key and soft tariff (2€/h). On credit cards and TI account

# Business: Offering Roadmap

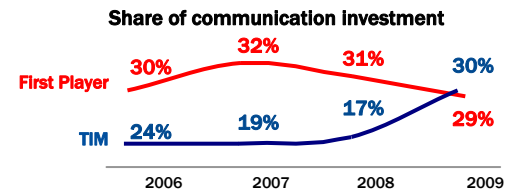
	Impresa Semplice	Marketing Strategy II Half
<b>MOBILE</b>	 <p><b>Voice</b></p> <ul style="list-style-type: none"> <li>▶ Widening of most successful range of offerings:           <ul style="list-style-type: none"> <li>▶ <b>One Business</b> (bulk of usable minutes on all customers' lines with an extension to SMS)</li> <li>▶ <b>FLEX</b> (highly modular offer with profile enrichment)</li> </ul> </li> </ul> <hr/>  <p><b>BB</b></p> <ul style="list-style-type: none"> <li>▶ Widening of target market with semi-flat and consumption offerings for Browsing and Mail</li> <li>▶ Strong push on the use of enabling handsets with mail and browsing services (full qwerty).</li> </ul>	
<b>FIXED</b>	 <p><b>Voice</b></p> <ul style="list-style-type: none"> <li>▶ Release of new bundle offerings for voice-only customers</li> <li>▶ Offering differentiation through SLA improvement</li> </ul> <hr/>  <p><b>BB</b></p> <ul style="list-style-type: none"> <li>▶ Widening of 2play range of offerings and improvement of broadband performance (upload increase)</li> <li>▶ Relaunch of BroadBand entry level offerings</li> <li>▶ Repositioning of Flat packages</li> </ul>	
<b>RETENTION</b>	 <ul style="list-style-type: none"> <li>▶ Revision of pre-retention and churn management rational, based on new predictive algorithms</li> </ul>	
<b>ICT</b>	 <ul style="list-style-type: none"> <li>▶ Completion of standard solutions and launch of vertical solutions</li> <li>▶ Bundling of off the shelf ICT services with broadband services and PCs</li> </ul>	
<b>CONVERGENT</b>	 <ul style="list-style-type: none"> <li>▶ One customer service</li> </ul>	

# TIM Brasil: 2009 Action Plan: 1H09 Achievements

## 1 Brand

### Repositioning

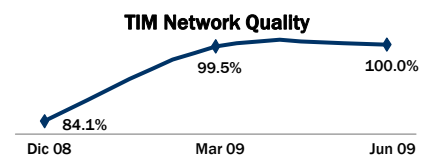
- ▶ Increase in the share of voice
- ▶ New format to increase recall e brand linkage



## 2 Network

### Focus on 2G network quality

- ▶ 2G: Excellence in voice quality
- ▶ 3G: right on spot



## 3 Caring

### Selectivity and multi-channel approach

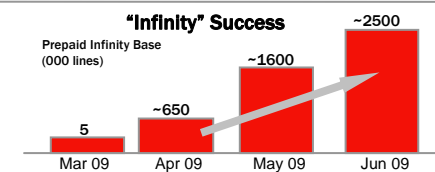
- ▶ Service improvement : decongestion and multi-channel approach
- ▶ Caring model evolution: service level vs. customer value



## 4 New offers

### Distinctivity and innovation

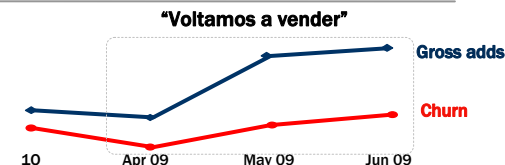
- ▶ *Infinity pre/ post*
- ▶ *"Azul" (long distance = local)*
- ▶ *Recarga Imperdivel*
- ▶ *TIM Unico*



## 5 Sales Channel

### "Back to selling"

- ▶ Go back to growth in post-paid
- ▶ Distribution channel rationalization
- ▶ Commissioning based on value



## 6 Efficiency

### Structural re-thinking

- ▶ Revision of go-to-market models and supplier renegotiation
- ▶ Financing the growth and defending profitability
- ▶ Improving acquisition quality

