Telecom Italia
Strategic Plan Update

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

- TI Group 2010-2012 Strategic Plan Update
- Italian Market Overview
- Telecom Italia Domestic Strategy and Goals
  - Task #1 Speed-up Mobile Turnaround
  - Task #2 Consolidate Positive Fixed Momentum
  - Task #3 Fully Exploit Integrated Approach Opportunities
  - Task #4 Continue to Attack Adjacent Services
  - Task #5 Further Cash Cost Efficiencies to Sustain Growth
Italian Market Evolution ‘08–’12

**Market by Technology**

- **Total TLC**
- **Fixed**

- **Mobile**

**Market by Customer Segment**

- **Total TLC**
- **Fixed**

CAGR '09–'12

**Note:**
- Media: + 6%
- ICT: Stable
- Products: Broadly Stable
- Mobile: ~ + 2%
- Consumer: ~ + 1%
Agenda

- TI Group 2010-2012 Strategic Plan Update
  - Italian Market Overview

- Telecom Italia Domestic Strategy and Goals
  - Task #1 Speed-up Mobile Turnaround
  - Task #2 Consolidate Positive Fixed Momentum
  - Task #3 Fully Exploit Integrated Approach Opportunities
  - Task #4 Continue to Attack Adjacent Services
  - Task #5 Further Cash Cost Efficiencies to Sustain Growth
Domestic Revenues: Trend Reversal

Euro bln, Organic Data

2009 2010 change % yoy
2008 2009 2010 2011 2012

Mobile

23.3

21.7

Fixed

2010: Paving the way to Growth

change % yoy

2010

1Q09 2Q09 3Q09 4Q09

-5% -5% -7% -11%

1Q10 2Q10 3Q10 4Q10

FY09
-7%

FY10
-4% / -5%

CAGR '09-'12

Broadly stable

Model Change

Improve Trend

Stabilize

Back to Growth

Trend

Improve

Stabilize

Back
to Growth

2010

2012

2008

2009

2010

2011

FY10

-4% / -5%

-7%

-5%

-11%
Domestic Market: the Repositioning Path

2008

“Value for Money” Proposition impaired by Repricing
- Focus on volumes
- Strong leverage on handsets
- Push Strategy based on Handsets subsidy
- Weaker brand perception (“Expensive”) after consumer tariff repricing

2009

Repositioning
- Competitive pressure increase
- “Cost Conscious” Customer Base erosion
- New handsets strategy
- New advertising & communication format
- Pricing Strategy: focus on Community
- Distribution Network Refocus

Market Share Recovery
- Market share recovery
- Best value for Money
- Focus on “cost conscious” customers and “high spenders”
- Pull strategy through Advertising
- Distribution Network – Strength and Develop

2010-2012

Restore Regulatory Dialogue
- Strong competitive asymmetry
- Large line losses (~1.9 mln)
- Good performance on BB acquisitions
- Push on free to flat migration in BB

Market Positioning Consolidation
- Retail & LLU monthly fee increase
- Progressive asymmetry reduction
- Slowdown in line losses trend
- Increase value of BB offers
- Gain market share on ICT

Leverage on Flexibility
- Line losses reduction
- Full symmetry on winback
- New LRIC model introduction
- Increase market share and reduce churn on BB
- Launch of new over-the-top services
- Lead ICT evolution

Customer Centric Approach
Domestic “Retail” Service Revenues

Euro bln, Organic Data, %

- **Total 2009**: 17.3* (61% Consumer, 18% Business - TOP, 21% Business - SME)
- **o/w Fixed + ICT**: 9.8 (51% Consumer, 25% Business - TOP, 24% Business - SME)
- **o/w Mobile**: 7.9 (74% Consumer, 10% Business - TOP, 16% Business - SME)

*Net of Fixed-Mobile interdivisional sales elimination (0.4B€ in 2009)*
Agenda

- TI Group 2010-2012 Strategic Plan Update
  - Italian Market Overview

- Telecom Italia Domestic Strategy and Goals
  - Task #1 Speed-up Mobile Turnaround
  - Task #2 Consolidate Positive Fixed Momentum
  - Task #3 Fully Exploit Integrated Approach Opportunities
  - Task #4 Continue to Attack Adjacent Services
  - Task #5 Further Cash Cost Efficiencies to Sustain Growth
Task #1 Speed-up Mobile Turnaround

**Objectives**

- **Market Share increase**
- **Customer Base value protection**

**Actions**

- Simplified Portfolio offering and strengthened Gross Adds and MNP tactics
- Advertising pressure with focus on product key-benefits
- Ethnic segment vertical offering
- Completing Consumer Sales Network restructuring: focus on Franchising & Dealer Multibrand, restyle PoS, New sales commissions model
- Best Value for Money Proposition both for “Community users” and for “Off-net users” with the aim to reduce Churn, increase lock-in Value Customers and boost usage
- Confirm leadership on customer care adopting multichannel approach to keep quality while reducing costs
- Pre-retention on high end customers

**KPIs**

- **Customer Base Calling (mln, %)**
  - 2008: 30.9%
  - 2009: 35.4%
  - 2010: 85%
  - 2012: 85%

- **Gross Adds Rebound in 2010 (mln SIM)**
  - 2008: 8.0
  - 2009: 6.3
  - 2010: >8.0
  - 2012: 9.8

- **Consumer Outgoing Calling ARPU (€/month)**
  - 2008: 14.5
  - 2009: 14.0
  - 2012: BROADLY STABLE
Mobile – Offer: Best Value for Money in the Consumer Segment

**Community Offer (U speak with friends?)**

- **One friend**
  - 2€/week
  - Unlimited traffic
  - Unlimited SMS 1€/week

- **Many friends**
  - 3€/week
  - Unlimited traffic
  - Unlimited SMS 1€/week

- **Many friends also on fixed line**
  - 4€/week
  - Unlimited traffic
  - Unlimited SMS 1€/week

- **In my country**
  - 1€/week + best price ITZ
  - Unlimited traffic
  - Unlimited SMS 1€/week

**Off net Offer (U speak with everybody?)**

- **270 min/month (60 week)**
  - 29€/month
  - 29 ITZ

- **500 min/month**
  - 49€/month
  - 49 ITZ

- **1000 min/month**
  - 69€/month
  - 69 ITZ

**How long you speak?**

- **270 min/month (60 week)**
  - 29€/month
  - 4€/week

**SMS usage?**

- **Unlimited SMS 1€/week**

**Mobile Internet?**

- **Light usage**
  - INTERNET 40: 9€/month
  - 40h/month

- **Heavy usage**
  - INTERNET 100: 19€/month
  - 100h/month

- **Sometimes**
  - INTERNET PACK 40: 99€
  - 40h/month x 12 months + Dongle

- **Often**
  - INTERNET PACK 100: 159€
  - 100h/month x 12 months + Dongle
Task #1 Mobile – Re-design Sales Channels

Changing Mix & Size

- **Own Stores**:不变
- **Franchising**:不变
- **Monobrand & Dealer**:从16.0%上升到20.0%
- **Multibrand**:从16.0%增加到20.0%

TOTAL: ~4,500 ~6,100

PoS productivity (*)

<table>
<thead>
<tr>
<th>Product</th>
<th>Mar '10</th>
<th>Delta YoY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>25.3</td>
<td>+24.6%</td>
</tr>
<tr>
<td>Own Stores &amp; Franchising</td>
<td>62.0</td>
<td>+59.0%</td>
</tr>
<tr>
<td>Monobrand &amp; Dealer</td>
<td>31.3</td>
<td>+34.3%</td>
</tr>
<tr>
<td>Multibrand</td>
<td>14.5</td>
<td>+16.0%</td>
</tr>
<tr>
<td>GDO</td>
<td>13.3</td>
<td>-8.3%</td>
</tr>
</tbody>
</table>

(*) Weekly Gross Adds /PoS
Task #1 Mobile BB - Consolidating Leadership

**Italian Mobile BB Market (Value)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (Bn €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.4</td>
</tr>
<tr>
<td>2009</td>
<td>1.6</td>
</tr>
<tr>
<td>2010</td>
<td>1.8</td>
</tr>
<tr>
<td>2012</td>
<td>2.3</td>
</tr>
</tbody>
</table>

**CAGR '09-'12** +14.5%

**TI Mobile BB users**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>3.4</td>
</tr>
<tr>
<td>2009</td>
<td>4.6</td>
</tr>
<tr>
<td>2010</td>
<td>6.6</td>
</tr>
<tr>
<td>2012</td>
<td>10.3</td>
</tr>
</tbody>
</table>

**% Web Users** 69% 71% 72% 75%

**CAGR** +40%

**Structural Advantages**

**Internet Keys**
- Network coverage
- Network capacity

**Smartphones**
- Leadership in Smartphone market share (TIM market share FY09 ~37%)
- Device portfolio simplification
- Efficient pricing in order to avoid network overload

**Lever to Reinforce Leadership**

**Marketing approach**
- Focus on medium users to:
  - defend price per MB
  - stabilize yearly consumption

**Services**
- Complete and competitive prepaid offer portfolio
- Internet Pack (new annual bundle device+service)
- New postpaid “all-inclusive” offers (Internet Key +pc+service)

**Devices**
- Widest product portfolio, best design, materials and colors
Task #1 Mobile - Handsets Strategy

Sell in Volumes Consumer

<table>
<thead>
<tr>
<th>Year</th>
<th>Handset (mln)</th>
<th>USB dongle (mln)</th>
<th>PC (mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>8.5</td>
<td>0.15</td>
<td>0.02</td>
</tr>
<tr>
<td>2008</td>
<td>6.9</td>
<td>0.6</td>
<td>0.2</td>
</tr>
<tr>
<td>2009</td>
<td>4.5</td>
<td>0.9</td>
<td>0.05</td>
</tr>
<tr>
<td>2010</td>
<td>3.5</td>
<td>3.5</td>
<td>26%</td>
</tr>
</tbody>
</table>

More volumes, more costs, less profitability
- Approx 8 mln p.a. of handset volume sold (with SIM embedded)
- Strong push on handsets resulting into a “long wave” of silent lines lasting until 1H10
- Almost 800 mln euro of handset sold per year with negative impact on profitability

Strategy and Impact

Less volumes, higher profitability
- Focus on advanced data enabled devices to drive data growth
- Massive increase on USB dongle sale
- Smartphones at competitive price
- Significant improvement in revenues mix with positive impact on SAC and margins
Task #1 Mobile – Early Evidence

Objectives

- CB Value protection
- Market Share & Usage Increase
- Mobile BB leadership consolidation

KPI's

**Customer Base Calling - Change yoy (‘000)**

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
<th>1Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept09</td>
<td>-762</td>
<td>-544</td>
<td>-537</td>
<td>-401</td>
<td>Stabilized</td>
</tr>
</tbody>
</table>

**TIMX Users**

- 1.3 mln

**Consumer Gross Adds (‘000)**

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
<th>Feb10</th>
<th>March10</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>477</td>
<td>422</td>
<td>371</td>
<td>394</td>
<td>+2%</td>
<td>+15%</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Outgoing traffic Trend – Change yoy**

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>2Q09</th>
<th>3Q09</th>
<th>4Q09</th>
<th>Feb10</th>
<th>March10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-4.6%</td>
</tr>
<tr>
<td>Feb</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>flat</td>
</tr>
<tr>
<td>Mar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+2%</td>
</tr>
</tbody>
</table>

**Consumer Mobile BB Users (mln)**

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>1Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2.3</td>
<td>+0.9</td>
</tr>
<tr>
<td></td>
<td>+38%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>3.2</td>
<td></td>
</tr>
</tbody>
</table>

**Consumer BB Revenues (€ mln)**

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>1Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td></td>
<td>+31</td>
<td></td>
</tr>
<tr>
<td></td>
<td>+38%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>112</td>
<td></td>
</tr>
</tbody>
</table>
Agenda

- TI Group 2010-2012 Strategic Plan Update
  - Italian Market Overview

- Telecom Italia Domestic Strategy and Goals
  - Task #1 Speed-up Mobile Turnaround
  - Task #2 Consolidate Positive Fixed Momentum
  - Task #3 Fully Exploit Integrated Approach Opportunities
  - Task #4 Continue to Attack Adjacent Services
  - Task #5 Further Cash Cost Efficiencies to Sustain Growth
Task #2 Consolidate Positive Fixed Momentum

**Objectives**

- **Defend Customer Base Value and minimize lines loss reduction**
- **Portfolio simplification and flat offers deployment** to increase value for money perception and reduce impact of traffic erosion
- **Differentiated caring approach** based on segments and needs
- **Continuous quality improvement** (fault rate and repair time) to sustain loyalty
- **Retention/pre-retention** inbound and outbound (churn predictive models) with customized offers on specific targets
- **Distinctive communication format** with stable presence in the media

**Actions**

- Portfolio simplification and flat offers deployment to increase value for money perception and reduce impact of traffic erosion
- Differentiated caring approach based on segments and needs
- Continuous quality improvement (fault rate and repair time) to sustain loyalty
- Retention/pre-retention inbound and outbound (churn predictive models) with customized offers on specific targets
- Distinctive communication format with stable presence in the media

**KPIs**

<table>
<thead>
<tr>
<th>Line Losses Evolution (mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
</tr>
<tr>
<td>-1.9</td>
</tr>
</tbody>
</table>

- >70% Market Share On access

<table>
<thead>
<tr>
<th>ULL Win-back ('000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
</tr>
<tr>
<td>163</td>
</tr>
</tbody>
</table>

- >400

<table>
<thead>
<tr>
<th>Market Share - Access Calling (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
</tr>
<tr>
<td>67.6%</td>
</tr>
</tbody>
</table>
**Task #2 Consolidate Positive Fixed Momentum**

- **Objectives**

  - Increase BB Customer Penetration and Value
  - Improve Go-to-Market

- **Actions**

  - Launch of BB entry fee tariff and bundle package with PC and push on flat offers
  - Develop strong high value customers retention through multimedia innovative devices (Cubovision) enabling flexible provisioning of TV services according to available bandwidth (IPTV / OTTV)
  - Push on ULL win-backs leveraging on symmetrical regulation (from April ‘10)
  - Improve sales effectiveness through channel specialization (eg agent sales on win back), quality target on inbound and outbound acquisitions
  - Re-launch of web sales channel

- **KPIs**

  - Target Customer Base BB (mln)
    - 2008: ~21%
    - 2009: ~18%
    - 2010: ~17%
    - 2012: ~17%
  - BB Churn rate:
    - 2008: 6.8%
    - 2009: 7.0%
    - 2010: 7.4%
    - 2012: 8.0%
  - % Flat Offers:
    - 2008: 77%
    - 2009: 83%
    - 2010: 91%
    - 2012: 97%
  - BB ARPU (euro/month)
    - 2008: 18.0
    - 2009: 18.3
    - 2012: ~20
  - Adsl Sales - Customer Care (mln)
    - 2008: 1.1
    - 2009: 1.2
    - 2010: 1.3
    - Success Rate:
      - 2008: 3.4%
      - 2009: 4.5%
      - 2010: >5%
Task #2 Fixed – Early Evidence

Objectives

Defend Customer Base Value

Increase BB Customer Value

Improve Go-to-Market

KPI’s

Line Losses ('000)

-380  4Q09  -260  1Q10  -190

BB Customers ('000 access)

Free

6,754  +89  6,843  +157  7,000  +71  7,071

Flat

FY09  +176  1Q09  +398  4Q09  +89  1Q10

ADSL Sales – Customer Care ('000)

% Redemption On Inbound calls

4.5%  5.3%  5.4%

1Q09  4Q09  1Q10

~10% excluding calls from BB customers
Agenda

▶ TI Group 2010-2012 Strategic Plan Update
  ▶ Italian Market Overview

▶ Telecom Italia Domestic Strategy and Goals
  ▶ Task #1 Speed-up Mobile Turnaround
  ▶ Task #2 Consolidate Positive Fixed Momentum
  ▶ Task #3 Fully Exploit Integrated Approach Opportunities
  ▶ Task #4 Continue to Attack Adjacent Services
  ▶ Task #5 Further Cash Cost Efficiencies to Sustain Growth
Task #3 Integrated Approach: Focus on the Business Segment

**Offering**
- “Impresa Semplice” new Business concept
- “Tra Noi”, first convergent offer
- “Leverage on fixed customer base” exploiting convergent offering and communication

**Sales**
- Sales network is already F/M integrated, with differentiated channels
- High End customers “Portfolio” (~200k), that generate 40% of total revenues, have a dedicated Sales representatives and few2few Customer Operations team

**Customer Operations**
- Integrated Customer Operations with single segmentation for fixed and mobile customers
- Same segmentation as Sales

---

Fixed Only: 1.6 mn  
Potential  
Fixed + Mobile: 0.3 mn

- “Ready to use basic ICT offering

---

Sales
- Sales Reps
- Business Partners
- Call centers

Portfolio (~200k)

SME/Soho (~1.900k)

Customer care
- Few 2 Few
- Standard caring
Task #3 Integrated Approach: Up / Cross Selling for Business Segment

**Objectives**

- Boost mobile customer base
- Stop losses of fixed customers
- Stabilize revenues

**Actions**

- Leverage on integration to:
  - Increase mobile penetration on fixed customer base
  - Improve loyalty and reduce churn
  - Leverage on cross selling opportunities

- Strengthen win back and customers’ lock-in and loyalty thanks to convergence (fixed-mobile integration, single billing, single caring)

**KPIs**

- **Mobile Human - Net Adds (’000)**
  - 2008: -37
  - 2009: -161
  - 2010: 79
  - 2012: +160

- **Fixed Line Losses (’000)**
  - 2008: -266
  - 2009: -235
  - 2010: -194
  - 2012: -42

- **ARPU (€/month/SIM)**
  - **Voice***
    - 2009: 46
    - 2012: ~ -3%
  - **BB**
    - 2009: 23
    - 2012: ~ -11%

(*) Revenues net VAS and Handsets /Avg SIM Human
(**) Revenues VAS Browsing /Avg Users BB (Web+Wap)

CAGR '09-'12
Task #3 Business Segment – Early Evidence

Objectives

Boost mobile customer base

Stop losses of fixed customers

Develop BroadBand

KPI’s

Mobile Human Gross Adds ('000)

1Q09 4Q09 1Q10

115 125 129

+12%

Mobile Human Net Adds ('000)

1Q09 4Q09 1Q10

-52 -50 -24

+54%

Fixed Access Net Adds ('000)

1Q09 4Q09 1Q10

-78 -44 -25

+68%

Broad Band Net Adds ('000)

1Q09 4Q09 1Q10

+12 +10 +27

+125%
Agenda

- TI Group 2010-2012 Strategic Plan Update
  - Italian Market Overview

- Telecom Italia Domestic Strategy and Goals
  - Task #1 Speed-up Mobile Turnaround
  - Task #2 Consolidate Positive Fixed Momentum
  - Task #3 Fully Exploit Integrated Approach Opportunities
  - Task #4 Continue to Attack Adjacent Services
  - Task #5 Further Cash Cost Efficiencies to Sustain Growth
**Task #4 Continue to Attack Adjacent Services – Especially on TOP Clients**

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Actions</th>
<th>KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ICT</strong></td>
<td>- Extension of Data center proposition to fully support the Virtualization model (Server, Networking, Storage, IP PABX, Desktop)</td>
<td>ICT Revenues (€ mln)</td>
</tr>
<tr>
<td></td>
<td>- Selective innovation regarding SaaS</td>
<td>831</td>
</tr>
<tr>
<td></td>
<td>- Bundling of TLC, infrastructure services and new offers</td>
<td>1,342</td>
</tr>
<tr>
<td></td>
<td>- Rationalization of the partners program to improve TI positioning on Net Centric solutions (Virtualization, SaaS)</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>- Vertical emerging markets (e.g.: e-gov, e-health, finance, security, automotive ..)</td>
<td>ICT Market Share*</td>
</tr>
<tr>
<td><strong>Digital ADV</strong></td>
<td>- Reinforce Virgilio leadership in the digital advertising through vertical communities and customizable editorial offering</td>
<td>Matrix – Revenues (€ mln)</td>
</tr>
<tr>
<td></td>
<td>- Develop profiling assets and capabilities in IP/Network, Web and Positioning profiling</td>
<td>2009</td>
</tr>
</tbody>
</table>
Domestic Take-away: Where does the “Reverse Revenues Trend” come from?

<table>
<thead>
<tr>
<th>Customer Centric Approach: different strategies for different Market Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSUMER</strong></td>
</tr>
<tr>
<td><strong>MOBILE</strong></td>
</tr>
<tr>
<td>› Increase the number of calling lines being the</td>
</tr>
<tr>
<td>“BEST VALUE FOR MONEY”option</td>
</tr>
<tr>
<td>› Keep ARPU erosion from voice prices under control</td>
</tr>
<tr>
<td>› Balance voice ARPU with BB ARPU</td>
</tr>
<tr>
<td>› Keep leadership in Mobile BB</td>
</tr>
<tr>
<td><strong>FIX &amp; MOBILE</strong></td>
</tr>
<tr>
<td>› Protect market share and leverage on cross selling between</td>
</tr>
<tr>
<td>F&amp;M customer base</td>
</tr>
<tr>
<td>› Develop convergent offer in order to boost TOTAL</td>
</tr>
<tr>
<td>REVENUES per customer</td>
</tr>
<tr>
<td>› Segment of the customer base in order to serve each</td>
</tr>
<tr>
<td>cluster with the most appropriate go-to-market model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

**ICT**
Agenda

- TI Group 2010-2012 Strategic Plan Update
  - Italian Market Overview

- Telecom Italia Domestic Strategy and Goals
  - Task #1 Speed-up Mobile Turnaround
  - Task #2 Consolidate Positive Fixed Momentum
  - Task #3 Fully Exploit Integrated Approach Opportunities
  - Task #4 Continue to Attack Adjacent Services
  - Task #5 Further Cash Cost Efficiencies to Sustain Growth
Task #5 Cash Cost Rationalization and Efficiency Plan

Cash Cost 2012 vs 2009

- Cash Cost on Revenues:
  - 69.8% in 2012
  - ~65% in 2009

- Capex:
  - 15.1 bln € in 2012
  - 3.5 bln € in 2009
  - Decrease of 0.6 bln €

- Opex:
  - 11.6 bln € in 2012
  - 3.0 bln € in 2009
  - Decrease of 0.6 bln €

Efficiency YoY

- Cumulative Efficiency 2009-2012: 2.7 bln €

Efficiency by Programs (2009-2012)

1. Network Operations: 0.2 bln €
2. MKT & Distribution: 0.4 bln €
3. Organization & Support process: 0.2 bln €
4. Information Technology: 0.5 bln €
5. Customer Operations: 0.1 bln €
6. Delivery & Assurance: 0.2 bln €
7. Buildings and Energy Mng: 0.2 bln €
**Task #5 Domestic: Focus on Efficiency Plan 2009-2012**

*Euro bn, Organic Data, %*

<table>
<thead>
<tr>
<th><strong>Delta Cash Cost</strong></th>
<th><strong>Δ ITX</strong></th>
<th><strong>Δ Vol. Driven</strong></th>
<th><strong>Δ Efficiency</strong></th>
<th><strong>Netwk Ops</strong></th>
<th><strong>Mktg &amp; Distrib.</strong></th>
<th><strong>Org. &amp; Support</strong></th>
<th><strong>IT</strong></th>
<th><strong>COP</strong></th>
<th><strong>Delivery &amp; Assur.</strong></th>
<th><strong>Building &amp; Energy</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY09</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Opex</strong></td>
<td>11.6</td>
<td>-0.6</td>
<td>-0.6</td>
<td>+1.0</td>
<td>-1.0</td>
<td>-0.4</td>
<td>-0.2</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.1</td>
</tr>
<tr>
<td>ITX</td>
<td>3.1</td>
<td>-0.6</td>
<td>-0.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mktg &amp; Sales</td>
<td>3.2</td>
<td>+0.1</td>
<td>-</td>
<td>+0.5</td>
<td>-0.4</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td>1.1</td>
<td>Flat</td>
<td>-</td>
<td>+0.1</td>
<td>-0.1</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>3.3</td>
<td>-0.1</td>
<td>-</td>
<td>+0.3</td>
<td>-0.4</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G&amp;A &amp; Other</td>
<td>0.9</td>
<td>-0.1</td>
<td>-</td>
<td>+0.1</td>
<td>-0.2</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Capex</strong></td>
<td>3.5</td>
<td>-0.5</td>
<td>-</td>
<td>+0.2</td>
<td>&gt;-0.7</td>
<td>-0.2</td>
<td>-0.4</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

**Total Cash Cost**

>-1.1  -0.6  +1.2 -1.8  -0.2  -0.4  -0.2  -0.5  -0.1  -0.2  -0.2
Focus on 2010 Domestic EBITDA

Euro million, Organic Data, %

-0.2/-0.3B€
-2%/-3%

1. Focusing MTR impact and on on-net traffic
2. Completing Revenues mix re-engineering
3. Supporting Commercial Turnaround
4. Progressing on efficiency programs

(*) Handsets + Marketing & Commercial = Marketing & Sales
(**) Industrial + Personnel + G&A = Fixed Opex
Back up
DMO – Market by Segments

**Top Clients**
First 20,000 customers (LA and PA) Portfolio managed by Direct Sales force

**Business**
2.1 mln customers (enterprises with 1-499 employees) managed by Indirect Sales force, high end customers (200K) managed at Portfolio

**Consumer**
Fixed: All Households
Mobile: Individuals that use phone both for private and professional purposes with a consumer offer

---

**TOP - Public sector**
800 customers
- 350 central government
- 450 key local government authorities

3.3 k customers (managed at regional level)

**TOP - Private sector**
540 customers
- Large Corporations
- Financial Institutions

15.5 k customers (managed at regional level)

---

**Italian Market**

<table>
<thead>
<tr>
<th>Business Wireline Market (mln)</th>
<th>3.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed BU contract</td>
<td>0.8</td>
</tr>
<tr>
<td>Fixed CO contract</td>
<td>0.5</td>
</tr>
<tr>
<td>No Fixed line</td>
<td>4.4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Mobile Market (mln)</th>
<th>1.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile BU contract</td>
<td>2.2</td>
</tr>
<tr>
<td>Mobile CO contract</td>
<td>0.8</td>
</tr>
<tr>
<td>No Mobile</td>
<td>4.4</td>
</tr>
</tbody>
</table>

---

**Needs based segmentation:**

- Shops 43%
- Single/Multiple location firms 30%
- Professionals 17%
- Nomadic 10%

**Fixed Customer Base**
Tot 12.3 mln

**Value Based Segmentation**

- Privilege BB+IPTV
- Prospect BB
- Standard

**Mobile Customer Base**
Tot 25.1 mln

- Premium
- Gold
- Silver
- Standard

---

Households with Fixed Access 17.3 mln Families with Broadband 56%

- Senior; 11.1
- Higher Standing; 9.0
- Ethnic; 3.9
- Teens; 3.9
- Young; 4.2
- Massive; 23.9
Task #5 Efficiency Programs Extension and New Operating Model

**Delta Cash Cost 2012 vs 2009**

<table>
<thead>
<tr>
<th>Category</th>
<th>FY09</th>
<th>D Abs ’12 vs ’09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Opex</td>
<td>11.6</td>
<td>-0.6</td>
</tr>
<tr>
<td>ITX</td>
<td>3.1</td>
<td>-0.6</td>
</tr>
<tr>
<td>Mktg &amp; Sales</td>
<td>3.2</td>
<td>+0.1</td>
</tr>
<tr>
<td>Industrial</td>
<td>1.1</td>
<td>Flat</td>
</tr>
<tr>
<td>Personnel</td>
<td>3.3</td>
<td>-0.1</td>
</tr>
<tr>
<td>G&amp;A &amp; Other</td>
<td>0.9</td>
<td>-0.1</td>
</tr>
<tr>
<td>Total Capex</td>
<td>3.5</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

**ITX**
- End of asymmetry on Fixed (July ’10) and Mobile (July ’12) termination rate leading to net savings on interconnection expenses
- Tangible impact of TIM push on communities

**Marketing & Sales**
- Speed-up and complete sales channels turnaround (Consumer and Business)
- New business model for Handsets and Content

**Industrial**
- Network Platform decommissioning (ATM, single RAN) and “one touch” network approach
- Ful deployment of TIM-Vodafone site sharing agreement

**Personnel**
- Rightsizing through a Lean Company concept on organization and processes
- Staff functions re-sizing

**G&A**
- Real Estate rationalization
- Tight cost control on consultancies expenses

**CAPEX**
- Refarming 900 MHz for UMTS indoor coverage
- Rightsizing and restructuring of IT infrastructure

*Euro bln, Organic Data*