Telecom Italia
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Safe Harbour

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Agenda

- Telecom Italia Domestic Plan
  - Mobile Business
  - Fixed Business
  - Innovative Services
  - Focus on 2011 Domestic EBITDA
Italian TLC Market Evolution and Competitive Scenario

**Domestic Market by Technology**

<table>
<thead>
<tr>
<th>Technology</th>
<th>2010</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media</td>
<td>3.8</td>
<td>Increasing</td>
</tr>
<tr>
<td>ICT</td>
<td>9.0</td>
<td>Stable</td>
</tr>
<tr>
<td>Products</td>
<td>3.9</td>
<td>Decreasing</td>
</tr>
<tr>
<td>Mobile</td>
<td>16.8</td>
<td>Slightly Increasing</td>
</tr>
<tr>
<td>Fixed</td>
<td>13.4</td>
<td>Decreasing</td>
</tr>
</tbody>
</table>

**Competitive Scenario**

- Over the Top ("OTT")
- Telcos
- Media Player
- IT Players
- Handsets Vendors
A fresh market still to be tapped
Mobile BB is complementary to Fixed BB

~25.2 Mln Households:
~12.0 Mln Broadband
(Fixed and/or Mobile)

* Source: Between – Broadband Report July 2010, Company data
Agenda

- Telecom Italia Domestic Plan
  - Mobile Business
  - Fixed Business
  - Innovative Services
  - Focus on 2011 Domestic EBITDA
Mobile: Traditional Core Services

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Actions</th>
<th>KPIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen the Customer Base</td>
<td>GROWTH</td>
<td>Customer Base (mln SIM) M/S % MNP Balance (000) ARPU €/month</td>
</tr>
<tr>
<td></td>
<td>➢ Maintain competitive pressure on gross adds, with limited use of promotional offers</td>
<td>~33% Stable ~0.4 (~0.4)</td>
</tr>
<tr>
<td></td>
<td>➢ Moving towards MNP break-even</td>
<td>2010 2011 2013</td>
</tr>
<tr>
<td></td>
<td>VALUE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Offers segmentation: Lock-in offers for High Value customers, continuous push on Community</td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Push on bundle offers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Price per minute stabilization</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SATISFACTION</td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Improve Customer Satisfaction and reduce the gap vs. best competitor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>VALUE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Different promos for different clusters of customers approached on a 1:1 basis</td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Maintain focus on loyalty and up-selling</td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Win-back valuable customers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LOCK-IN</td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Lock-in offers with Smartphone at favourable conditions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>➢ Customer Pre-retention Unit for High Value customers</td>
<td></td>
</tr>
</tbody>
</table>
## Mobile Broadband Consumer: Catching Growth Opportunities

### Objectives

**BIG SCREEN**
- Market penetration (*)
- Benchmark
- ~9% ~7%
- ITA UC15

**SMALL SCREEN**
- Market penetration (*)
- Benchmark
- ~18% ~16%
- ITA UC15

### Actions

**Protect Leadership**
- Maintain leadership in a 4 Players market
- Offers based on QoS (Priority) for Premium customers
- Push cross selling activities for ADSL consumers
- CRM plan to contrast inactivity/churn

**Fully Exploit Growth Opportunities**
- Strong presence in the handsets market
- Keep subsidies under control
- Continuous push on “Tutto Compreso” with Smartphones
- Upselling on Customer Base
- New markets opportunities: Tablet, e-readers
- Apps as Mobile Internet: boost on TIMStore (synergy with TEF)

### KPIs

**Big Screen Gross Adds (mln)**
- 2010 1.2
- 2011 1.4
- 2013 -1.6

**Web Users (mln)**
- 2010 2.3
- 2011 3.0
- 2013 ~4.8

**Handsets sell-in and TIMx Smartphone (mln)**
- TIMx Smartphone
- 2010 ~1.0
- 2011 >40%
- 2013 ~1.4

**% Smartphone**
- 2010 ~30%
- 2011 +20%
- 2013 +80%

**Small Screen Active Users (mln)**
- 2010 1.5
- 2011 2.7
- 2013 >5.0

*Source: COCOM Report*
Agenda

- **Telecom Italia Domestic Plan**
  - Mobile Business
  - **Fixed Business**
  - Innovative Services
  - Focus on 2011 Domestic EBITDA
Fixed: Continued Access Value Protection

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<th>Objectives</th>
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<th>KPIs</th>
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</thead>
<tbody>
<tr>
<td>ACQUISITIONS</td>
<td>Push on win-back</td>
<td>Total Accesses</td>
</tr>
<tr>
<td>Advertising: continuous presence with mix on media channels differentiated depending on customer segments</td>
<td>16.1 15.4 &gt;14</td>
<td>2009 2010 2013</td>
</tr>
<tr>
<td>Distribution channels: re-balancing acquisition mix with stronger contribution from Push channels and renewed focus on shops</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VALUE</td>
<td>Greater efficiencies on loyalty with focus on High-End customers</td>
<td>Market Share</td>
</tr>
<tr>
<td>Increase penetration of flat/bundle offers</td>
<td>71.4% 68.4% -64%</td>
<td>2009 2010 2013</td>
</tr>
<tr>
<td>VALUE PROPOSITION</td>
<td>Quality</td>
<td>Line Losses Evolution</td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
<td>2009 2010 2011 2013</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-1.3 -0.7 &lt;0.6 -0.4</td>
</tr>
</tbody>
</table>
Fixed Broadband: Leveraging on Innovation

**Objectives**

- **Defend market position and market share**
  - New promotions: no price war
  - Offer segmentation
  - New services to drive up ARPU and differentiate offering (e.g.: Pronto PC assistance)

- **Innovation in access to support ARPU**
  - High Quality ADSL
  - Fiber: launch in 2H 2011

- **Develop new ways to use ADSL**
  - **Cubovision Device** OTTV with lower bandwidth requirements: addressable market from 40% (IPTV) to 90% (Cubo) BB lines
  - **Cubo de-materialization**: access content with a multi-platform approach (Connected TV, Blu-Ray, pc)
  - **Hybrid devices**: Tablet, smartphones (wi-fi enabled)

**Actions**

**Adjacent markets**

- Open the content distribution platform to Content Providers
- Launch of **Content Cubovision Suite**: VOD, catch-up TV, MUSIC, gaming, betting, ...
- Quality of content ensured E2E thanks to CDN

**KPIs**

- **BB Customers Base (mln)**
  - 2010: 7.2
  - 2011: ~7.5
  - 2013: 8.0
  - % Flat Offers: 86% 89% >90%

- **Fiber Activations (000)**
  - 2011: ~120
  - 2013:

- **BB ARPU (euro/month)**
  - 2010: 18.6
  - 2011: Stable
  - 2013: Increase

- **Cubovision sales (000)**
  - 2011: ~280
  - 2013:
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### Business Segment: Innovative Integrated Approach Confirmed

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</thead>
<tbody>
<tr>
<td>Defend Value</td>
<td>Leverage on <strong>Impresa Semplice</strong> distinctive branding in the SME market</td>
<td>Market share on fixed access (%)</td>
</tr>
<tr>
<td></td>
<td>Develop F-M Integrated Systems (single billing, single caring)</td>
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<td></td>
<td>Increase line winback rate from OLO’s</td>
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<td></td>
<td>Push on mobile BB penetration</td>
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<td></td>
<td>Encourage IT services adoption rate through bundle with our best selling integrated offer</td>
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<td></td>
<td>Further develop TLC + IT solutions of IaaS and PaaS through the E2E control of the network</td>
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<td></td>
<td>Develop offerings for vertical markets</td>
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<td>Go-to market partnership with system integrators w/o infrastructures</td>
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<td></td>
<td>Upgrade IT delivery and assurance processes to the Telco standards</td>
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<tr>
<td>Ramp-up in Innovative Services Penetration</td>
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<tr>
<td>Evolve towards the Cloud Computing model</td>
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</tbody>
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**ICT Revenues (€mln)**
- 2010: 818
- 2011: ~5
- 2013: +12%

**Market share on mobile human lines (%)**
- 2010: 46.2
- 2011: ~46
- 2013: ~48
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Focus on 2011 Domestic EBITDA

Euro Bln, Organic Data, %

-4%

1. MTR reduction and symmetry glide path offsetting related Top Line decline
2. Selective growth of Handset/Smatphone Revenues to support Mobile BB development
3. Supporting BB and Mobile Customer Base growth
4. Consolidating Efficiency Programs Results on Fixed Opex

(*) Industrial + Personnel + G&A = Fixed Opex