

TELECOM ITALIA GROUP

Deutsche Bank 11th Italian Conference Italian Champions

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Deutsche Bank - 11th Italian Conference

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Agenda

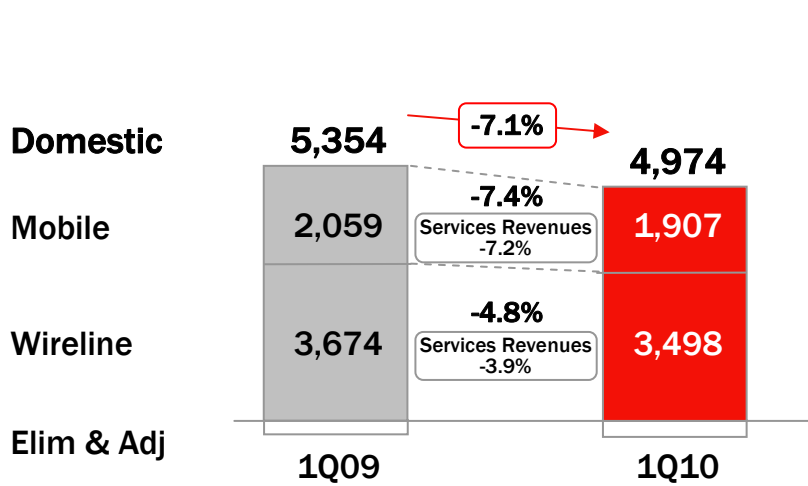
- ▶ **Domestic Repositioning Path**
 - ▶ **Mobile Business**
 - ▶ **Fixed Business**

- ▶ **Outlook**

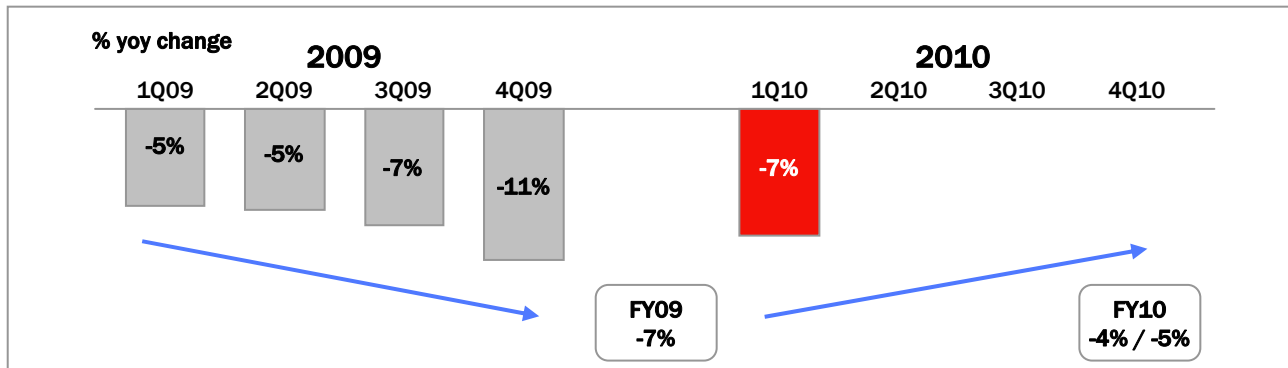
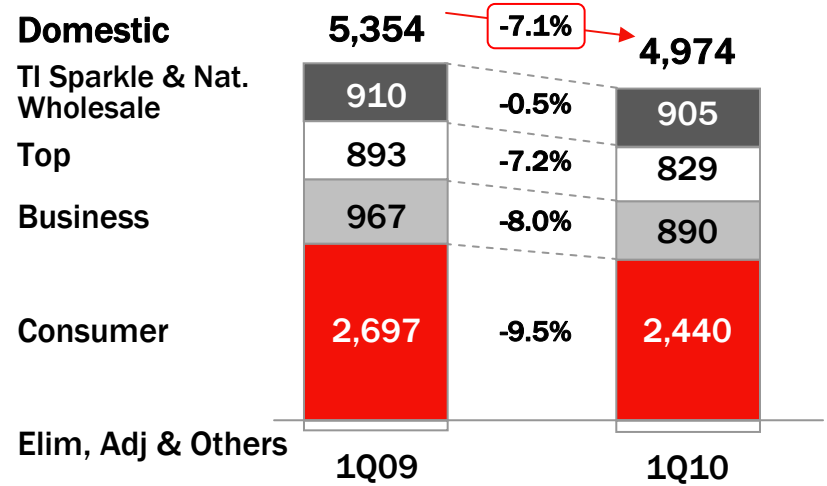
Domestic Revenues: On the Right Track

Euro mln, Organic Data

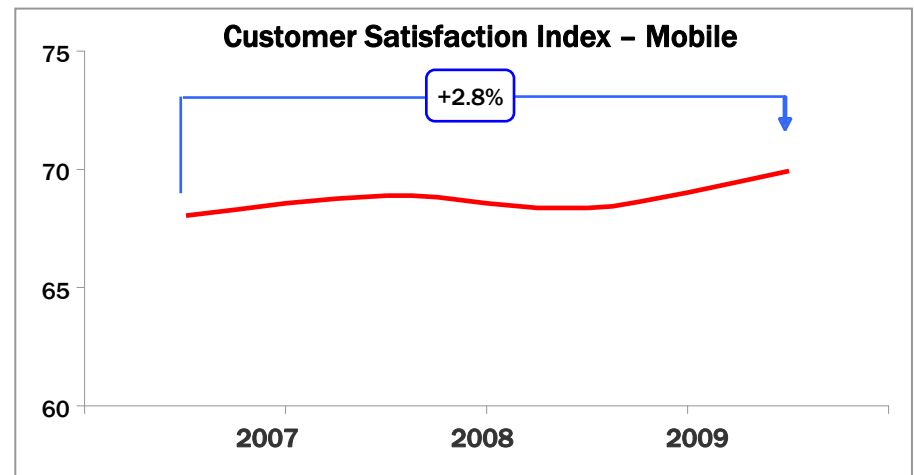
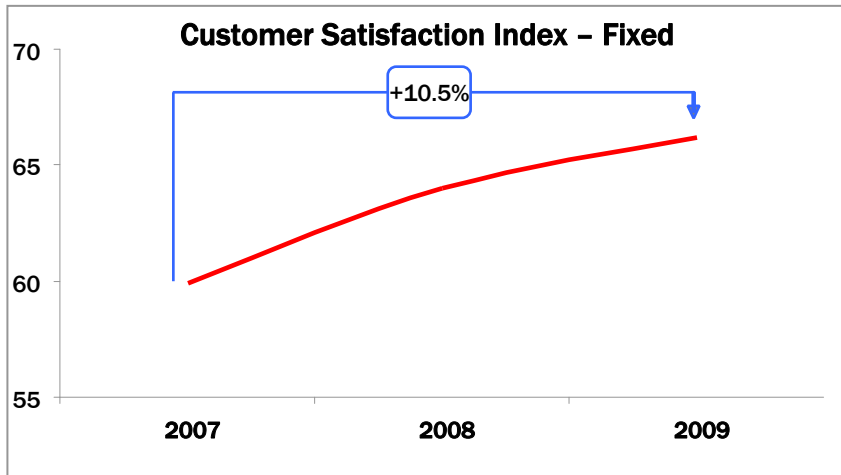
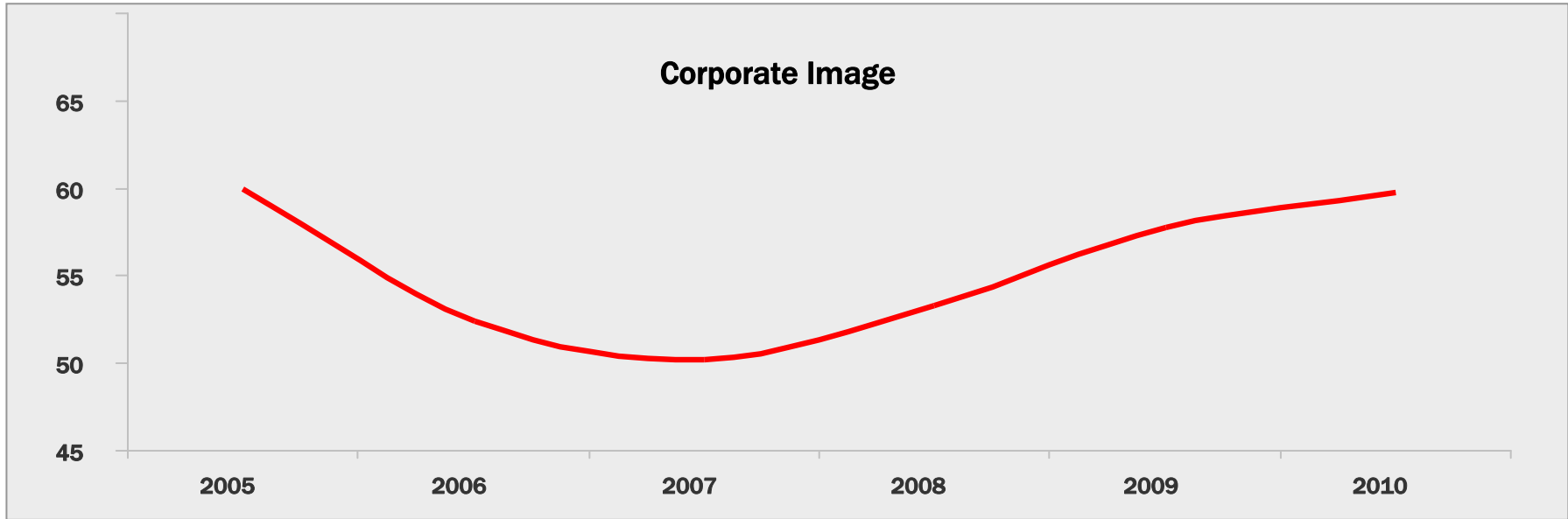
Domestic Revenues by Technology



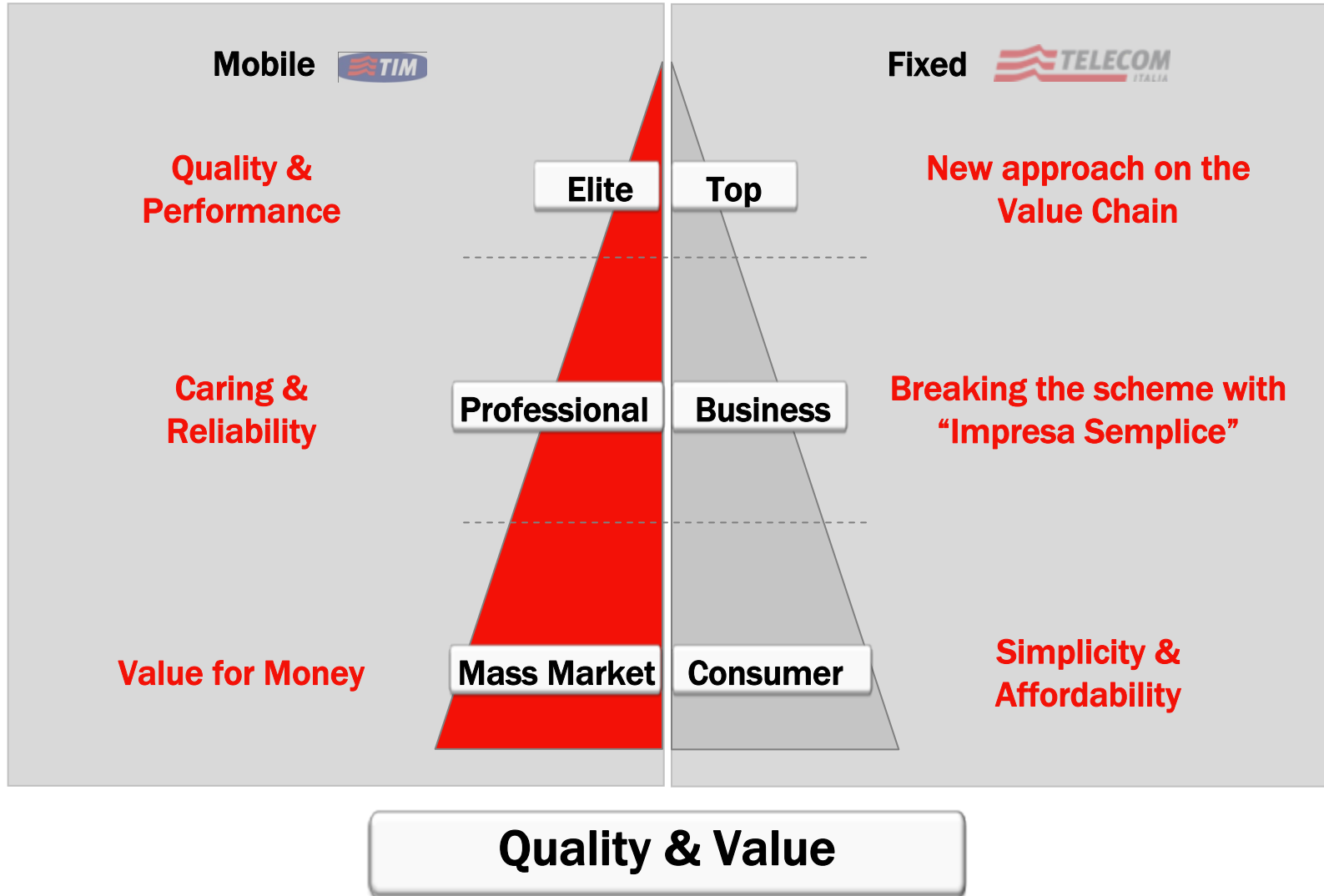
Domestic Revenues by Customer Segment



Keep Building Momentum on TI Perception



Domestic Strategy across all Segments

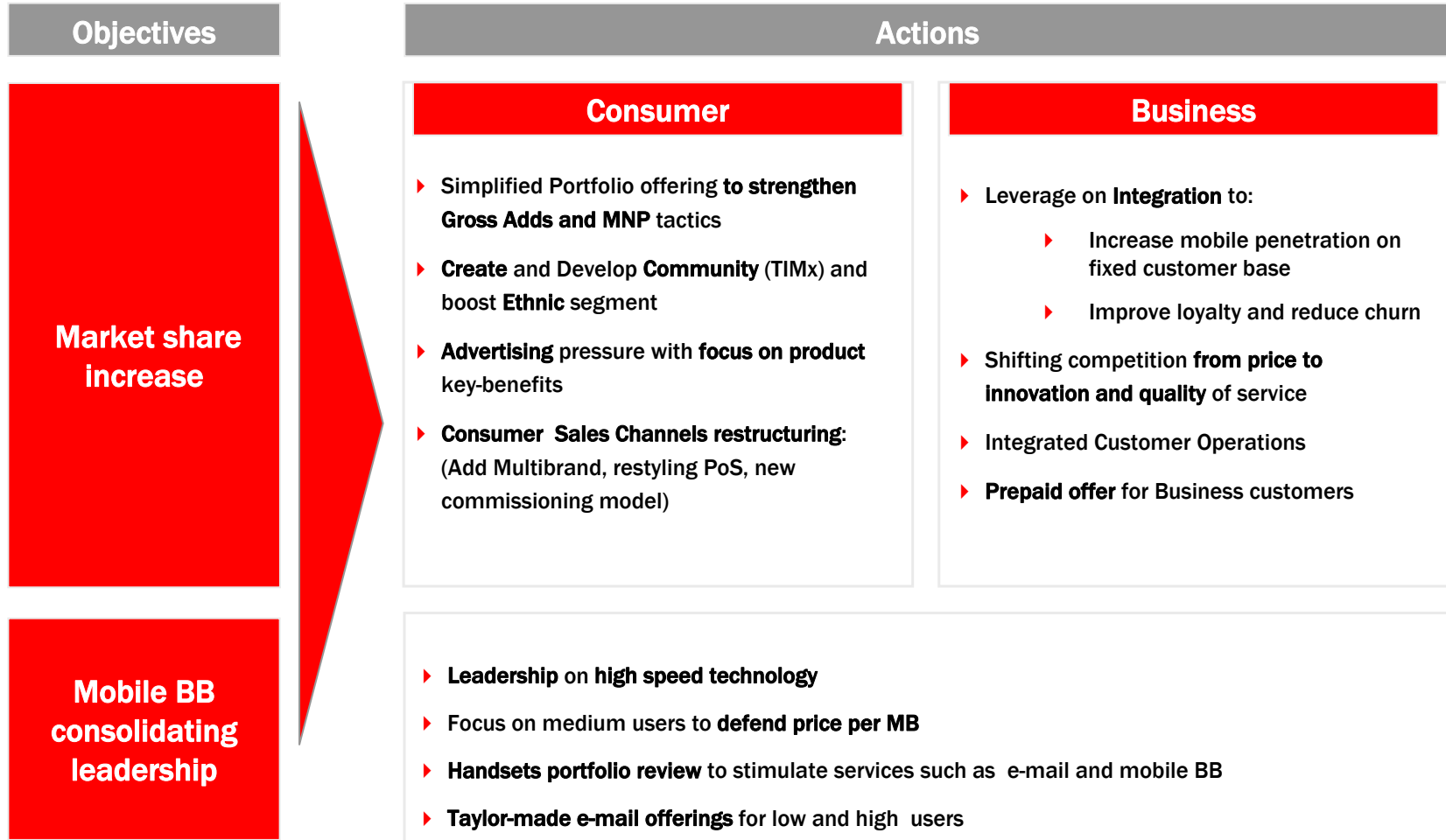


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- ▶ **Domestic Repositioning Path**
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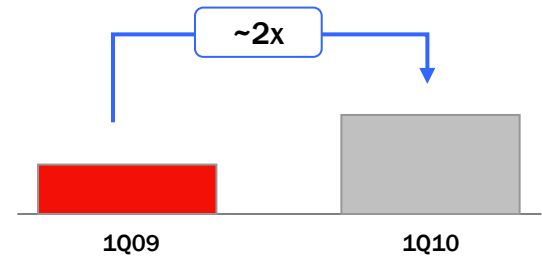
Mobile Strategy: Be the “Best Value for Money” Choice



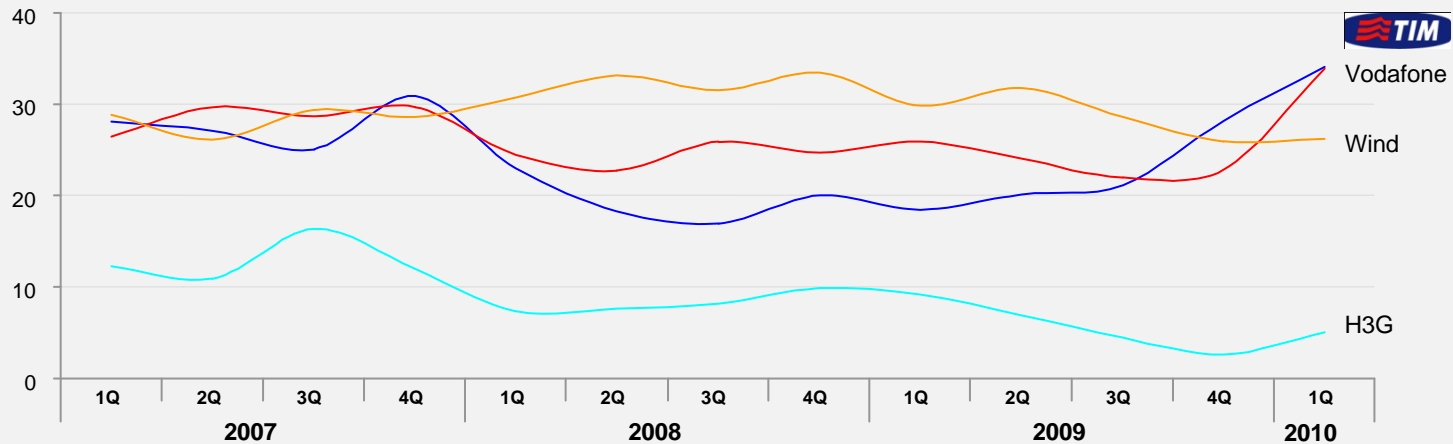
Mobile - New Communication Strategy

- ▶ 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 - Simplified Offer Portfolio

Voice & Traditional VAS

Value Customers

Community Users

Pre Paid

TUTTO COMPRESO
RICARICABILE
MESSAGGI

TIM x

**TIMCard
LIMITED EDITION**

TIM SENZA SCATTO

TIM 10



Post Paid

**TUTTO
COMPRESO**

TIM x

- ▶ **Best Value for Money Proposition** for both “Community users” and “Value Customers”
- ▶ **Narrowing Price Premium** gap while widening **Quality Premium** spread
- ▶ “Hit & Run” approach with aggressive **Limited Edition** plan
- ▶ Enjoy the benefit of the **largest mobile community** in Italy

Mobile BroadBand

Web & Wap Browsing

Internet Pack



**Internet
40**

**Internet
100**

**TUTTO
COMPRESO**
Opzione
Internet

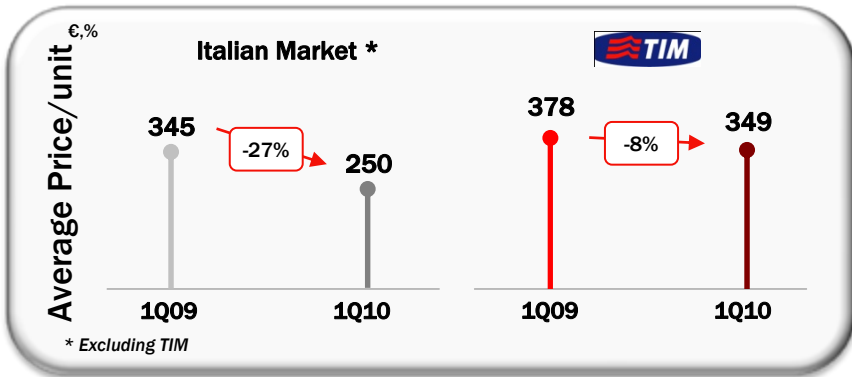
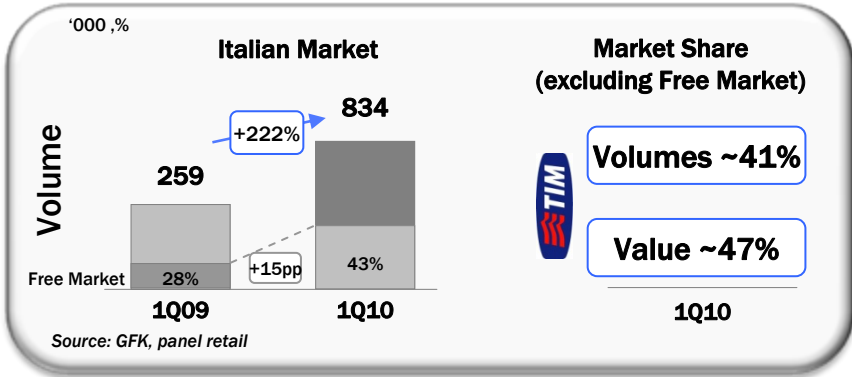


Complete and competitive offer portfolio

- ▶ **Widest product portfolio**, best design, materials and colors
- ▶ Handsets with embedded functionalities to facilitate **up-selling of BB services**

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)

TIM Smartphone Adopters ARPU * - Consumer

Adoption Stage	ARPU Change	Notes
Ex-ante Smartphone adoption (Nov 09)	+20%	
Ex-post Smartphone adoption (Mar 10)	-2x ARPU Calling (avg)	

* Smartphones including I-Phone

TIM Micro-browsing Users ARPU - Consumer

Period	ARPU Change
1Q09	+49%
1Q10	

- 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

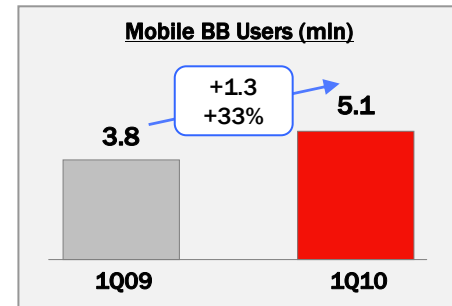
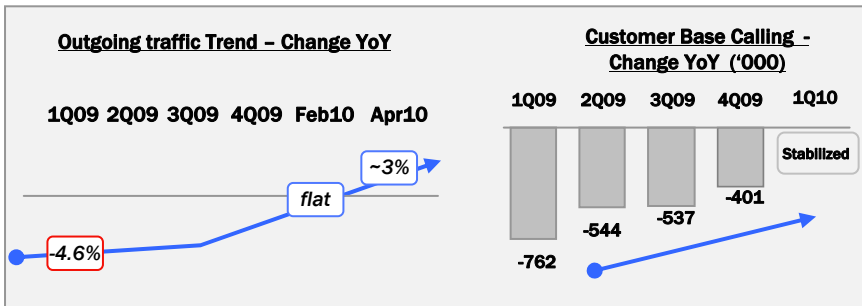
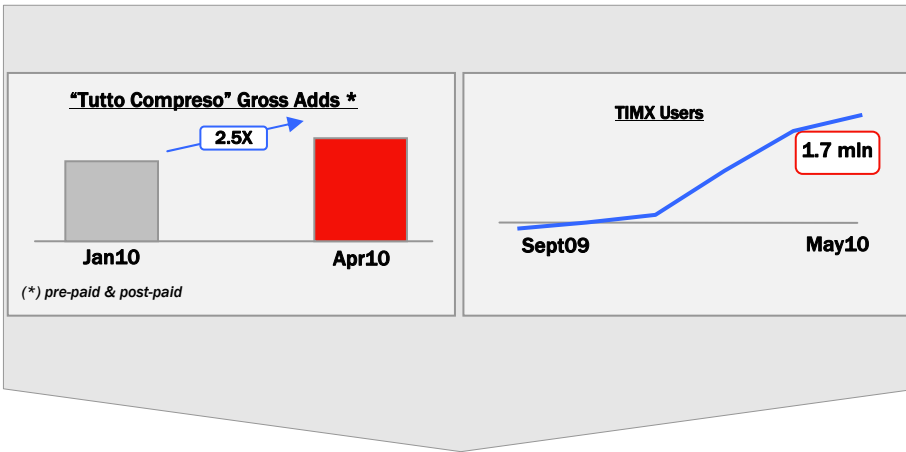
Focus on high-end, service enabler Smartphones

Mobile - Main Evidences

Value Customers

Community Users

Mobile BroadBand

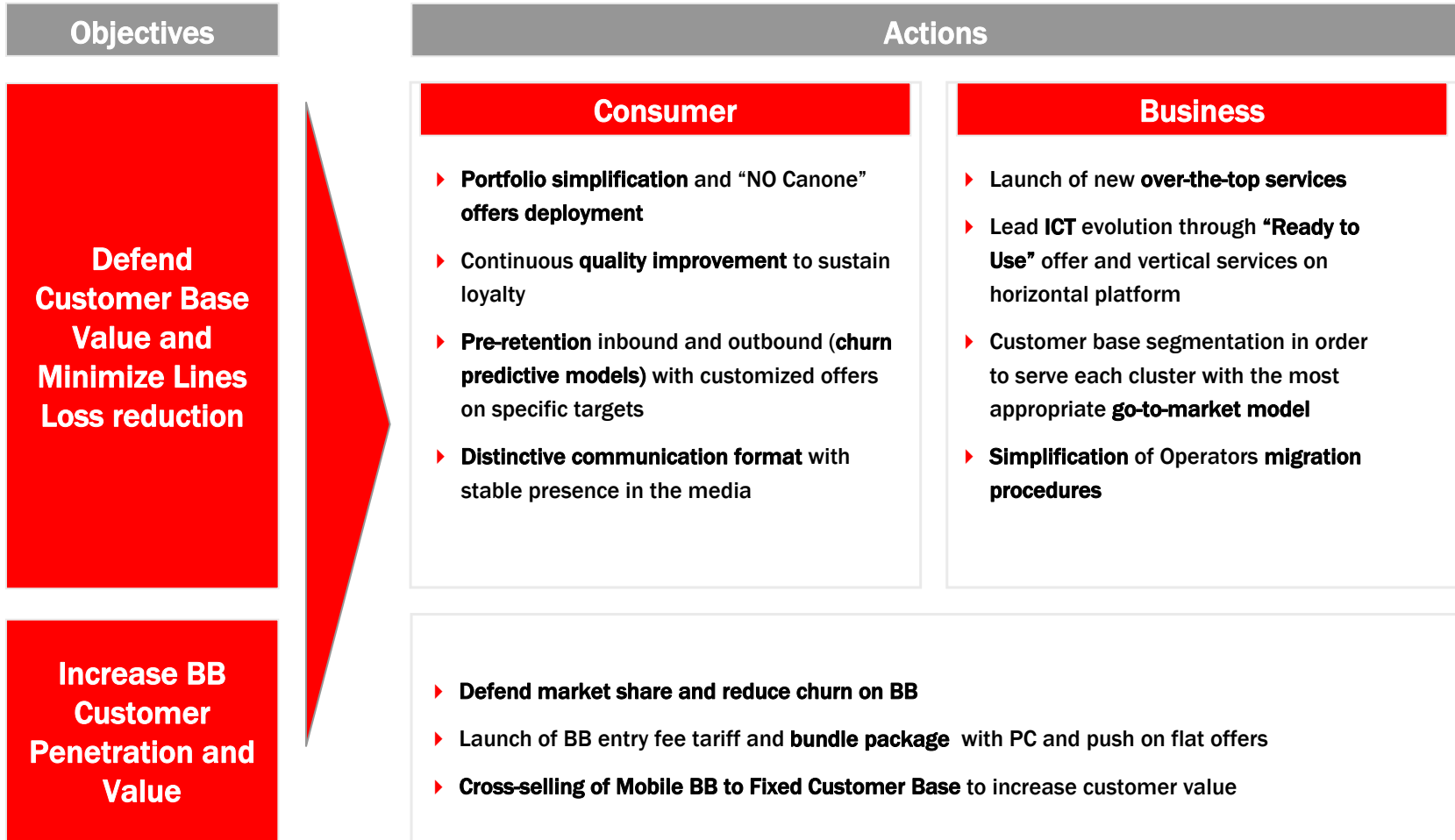


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Fixed Strategy: Consolidate Positive Momentum



Fixed - Defend Customer Base Value: Simplified Offer Portfolio

Consumer

VOCE SENZA LIMITI

INTERNET SENZA LIMITI

TUTTO SENZA LIMITI

Business



**All Inclusive HW + MS Office Pro
+ PEC + Anti virus +
Assistance**
(36 months instalments)



**First Convergent Option: Free to
call solutions for Intercom**
(F-M, M-F)

Impresa Semplice

The New Business Concept

- ▶ 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 - Distinctive Communication Format

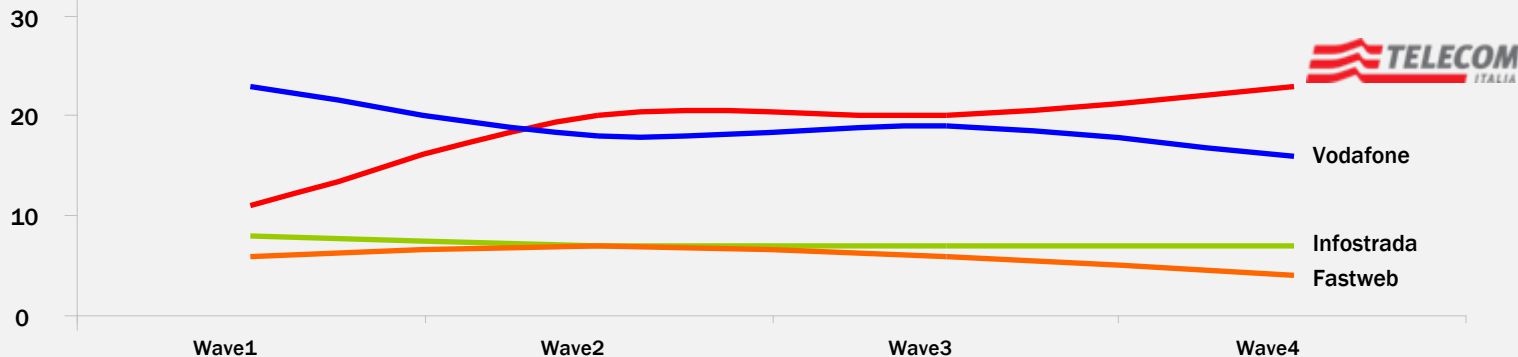
Consumer

- ▶ Alignment trend of Fixed TV presence to Mobile
- ▶ New format and testimonials for an **Advertising campaign strongly focused on Telecom touch points** in order to increase acquisitions and caring channels awareness
- ▶ Focus on **quality, value for money, caring**
- ▶ **Leadership in TOP of Mind**

Business

- ▶ **Effective Advertising Campaign to affirm the Value of “Impresa Semplice” concept as the first choice for enterprises**
- ▶ **Synergic use of different Media:**
 - ▶ TV – Recognition
 - ▶ Press – Description
 - ▶ Radio+Press – Call to Action
- ▶ **“Impresa Semplice” Leadership In Advertising awareness**

Top of Mind - Advertising Awareness (Impresa Semplice)

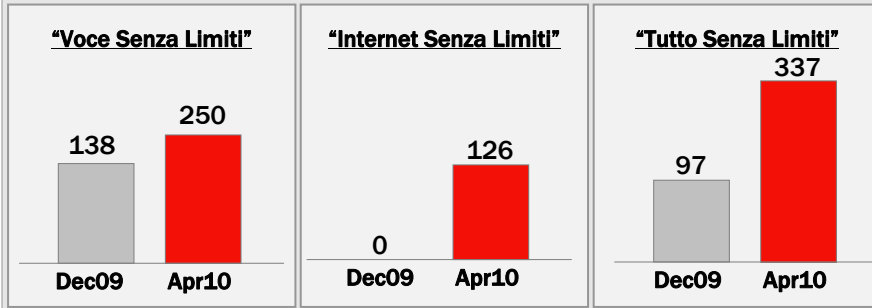


Source 4 Wave Research MEC

Fixed - Main Evidences

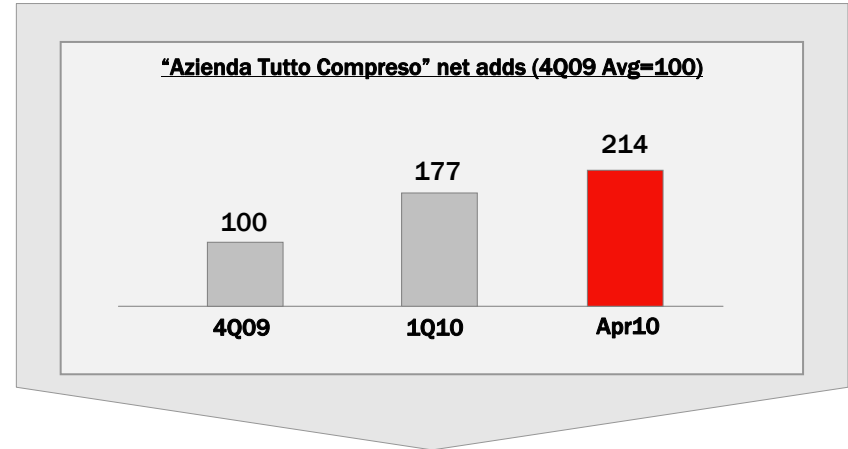
Consumer

Customer Base ('000)

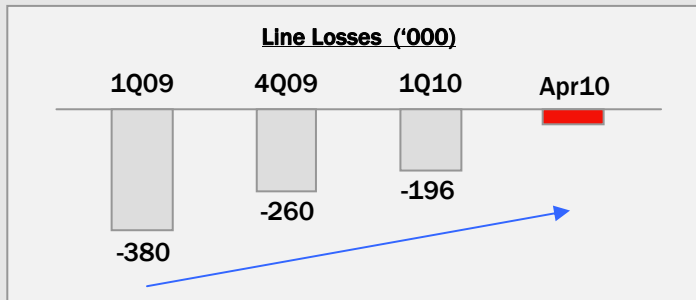


Business

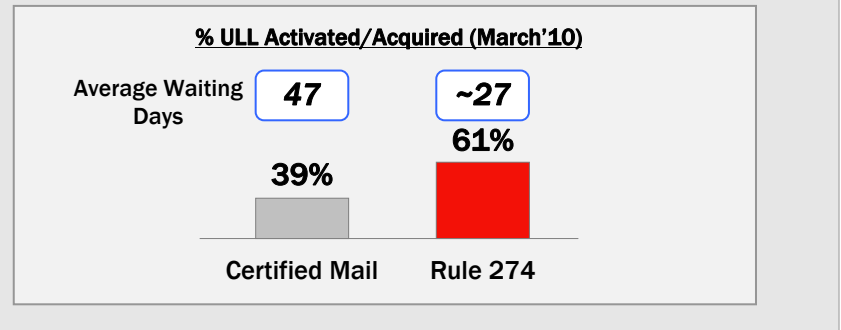
"Azienda Tutto Compreso" net adds (4Q09 Avg=100)



Line Losses ('000)



% ULL Activated/Acquired (March'10)

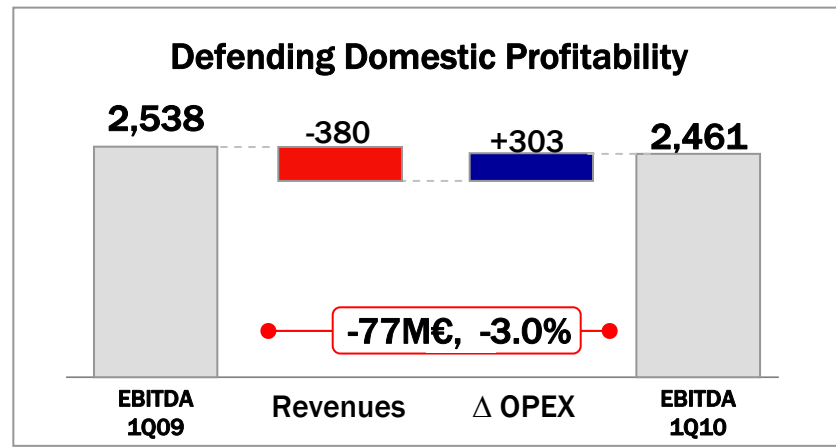
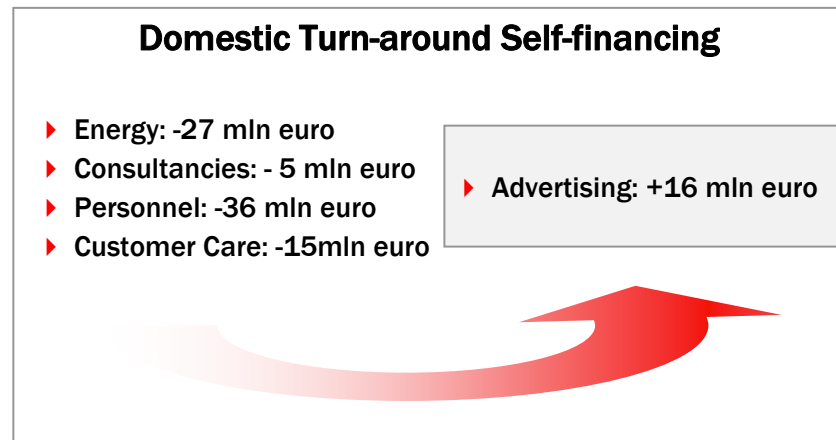


Domestic - Focus on Efficiency Plan Progress

Euro mln

Delta Cash Cost 1Q10 vs 1Q09			Δ ITX	Δ Vol. Driven	Δ Efficiency
	1Q10	D Abs '10 vs '09			
Total Opex	2,513	-303	-100	-62	-141
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
Total Capex	752	-81	-	+14	-95
Total Cash Cost		-384	-100	-48	-236

26% of FY10 Target



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Outlook

2Q - 3Q 2010

- ▶ **Speed-up Gross Adds**
- ▶ **Churn control on mobile and fixed**
- ▶ **Customer Base Calling: gradual increase**
- ▶ **Continuous Mobile BB growing trend**
- ▶ **Reinforced focus on Smartphones**

Year End 2010

- ▶ **Revenues rebound**
- ▶ **Confirm 1Q trend on line losses**
- ▶ **Availability of Restyled Sales Channels**
- ▶ **Lead the wave of new ICT solutions for SME and SOHO**
- ▶ **Leadership consolidation in BB**