

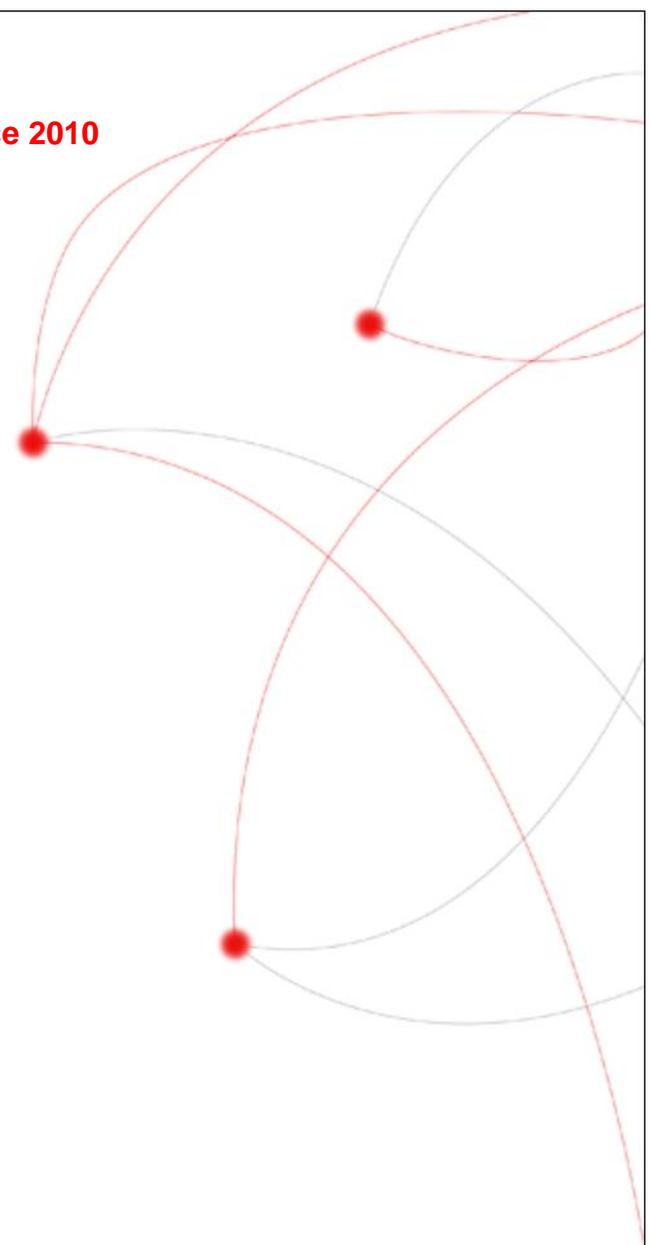
**TELECOM ITALIA GROUP**

**Sanford Bernstein - 7th Annual Pan European Strategic Decisions Conference 2010**

London, 21 September 2010

# Telecom Italia Group

**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 and the Group.

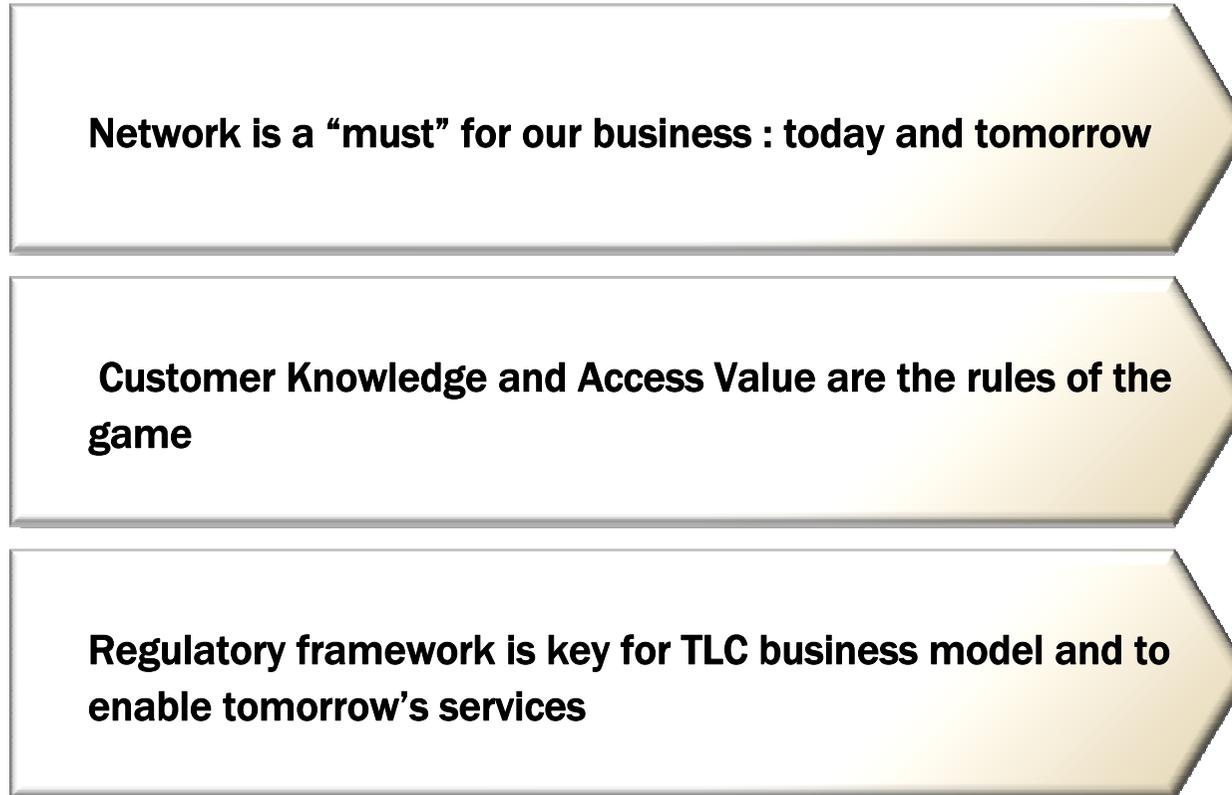
Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected or implied in the forward looking statements as a result of various factors.

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In addition, it should be noted that starting from the half-year condensed consolidated financial statements at June 30, 2010 of the Telecom Italia Group, following a detailed review of indirect taxes paid by the Group in the various tax jurisdictions, Telecom Italia reclassified some taxes paid in Brazil, previously included in "Other operating expenses", in reduction of "Revenues" and "Other income". In particular, such reclassifications were carried out also in connection with the forthcoming first-time adoption of IFRS by the Tim Brasil group companies and because they allow the alignment of the accounting representation of the Telecom Italia Group to that of the main TLC operators, ensuring a better comparability and intelligibility of the financial information.

## Business Model Evolution: back to basics

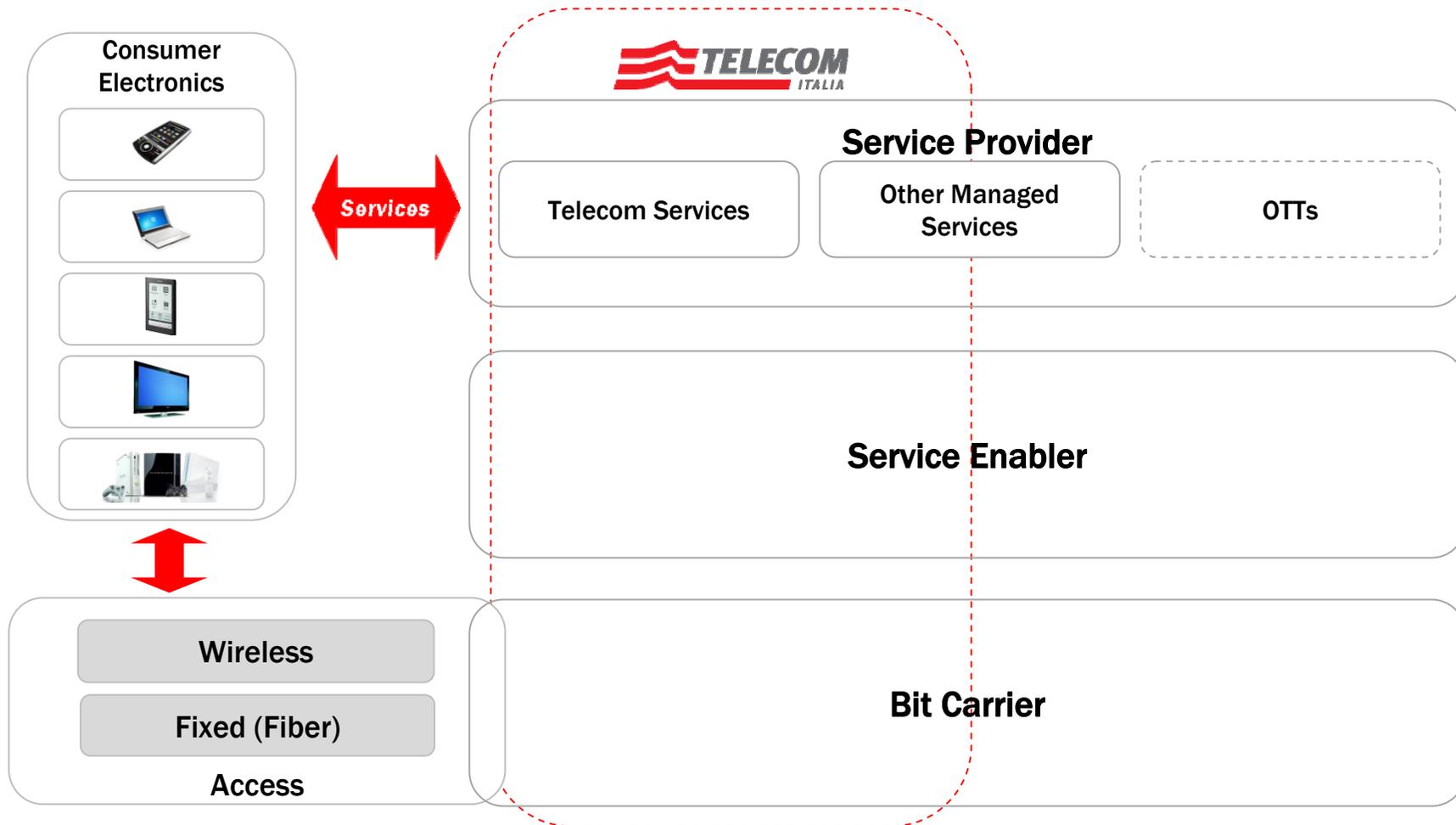


### TI Positioning



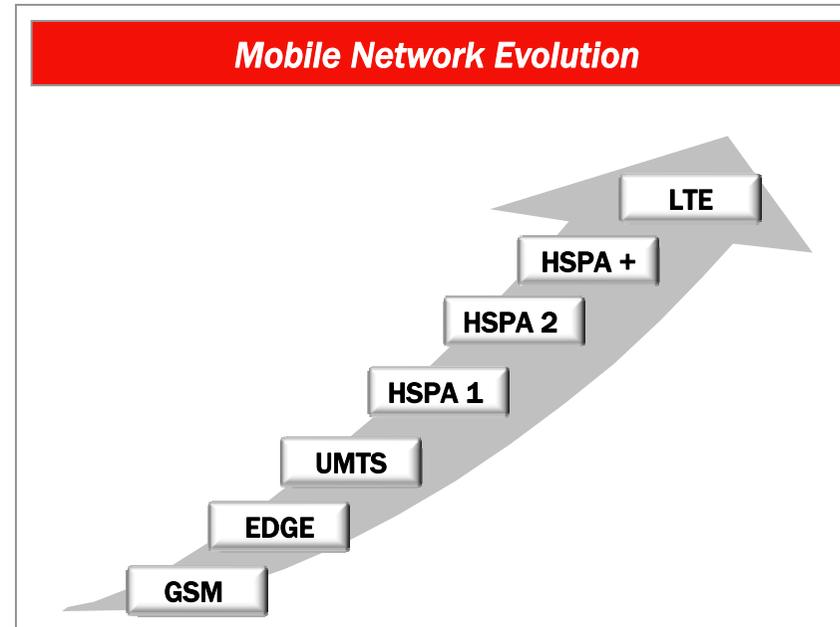
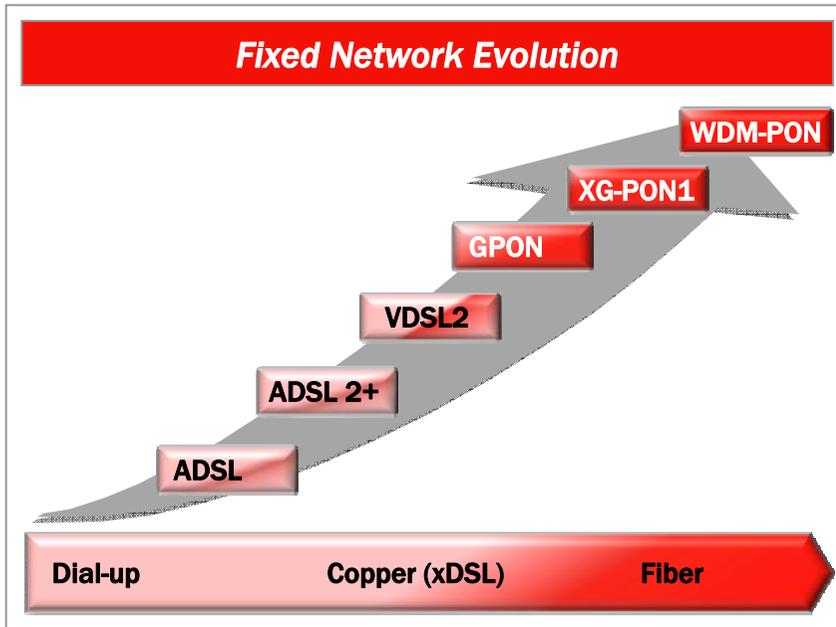


# TI Approach to the new layering of TLC Business Model

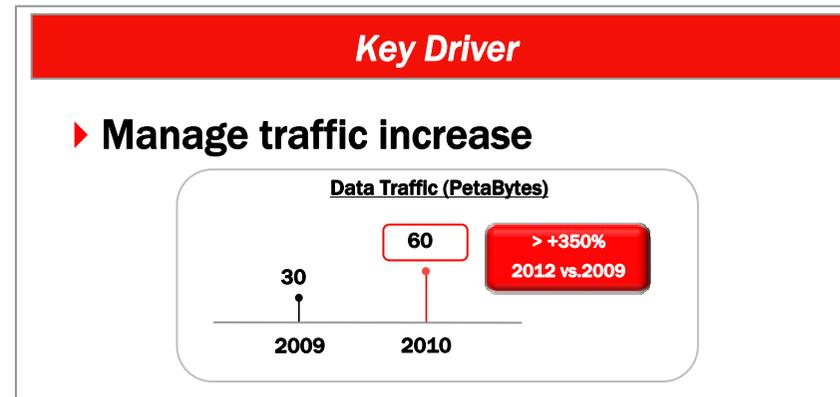




# Network evolution: each step at the right time



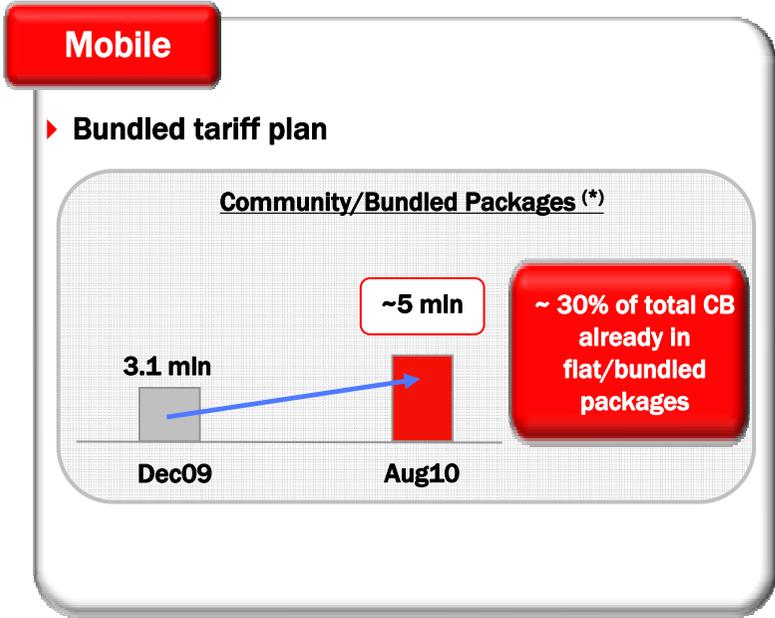
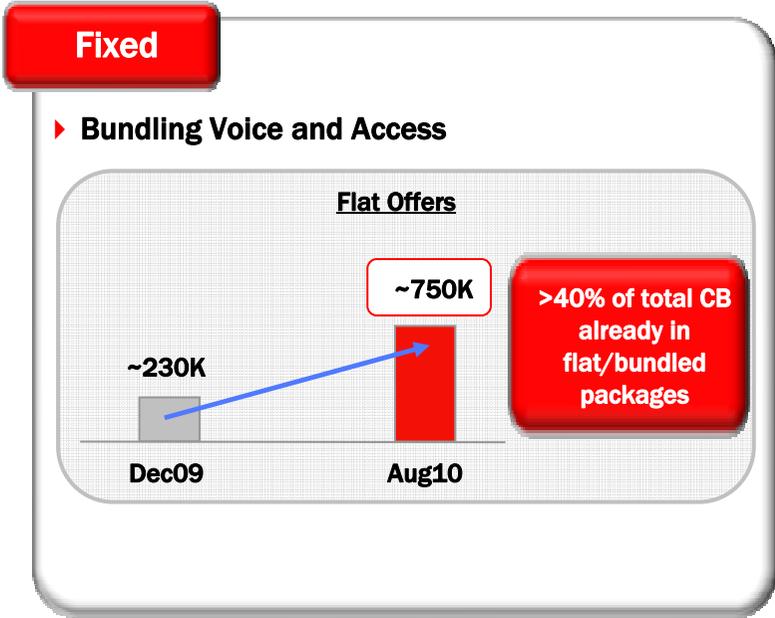
- ### Key Drivers
- ▶ Willingness to pay
  - ▶ Competitive dynamics
  - ▶ Services availability
  - ▶ Regulatory framework





# Customer Knowledge and Access Value are the rules of the game

## VOICE: FROM PAY PER USE PRICING TO BUNDLED OFFERS



**New ways of growth**

- Broadband development is a fundamental pillar to balance the physiological contraction of the voice market
- Connectivity is key to satisfy customers needs evolving towards "Digital Life"

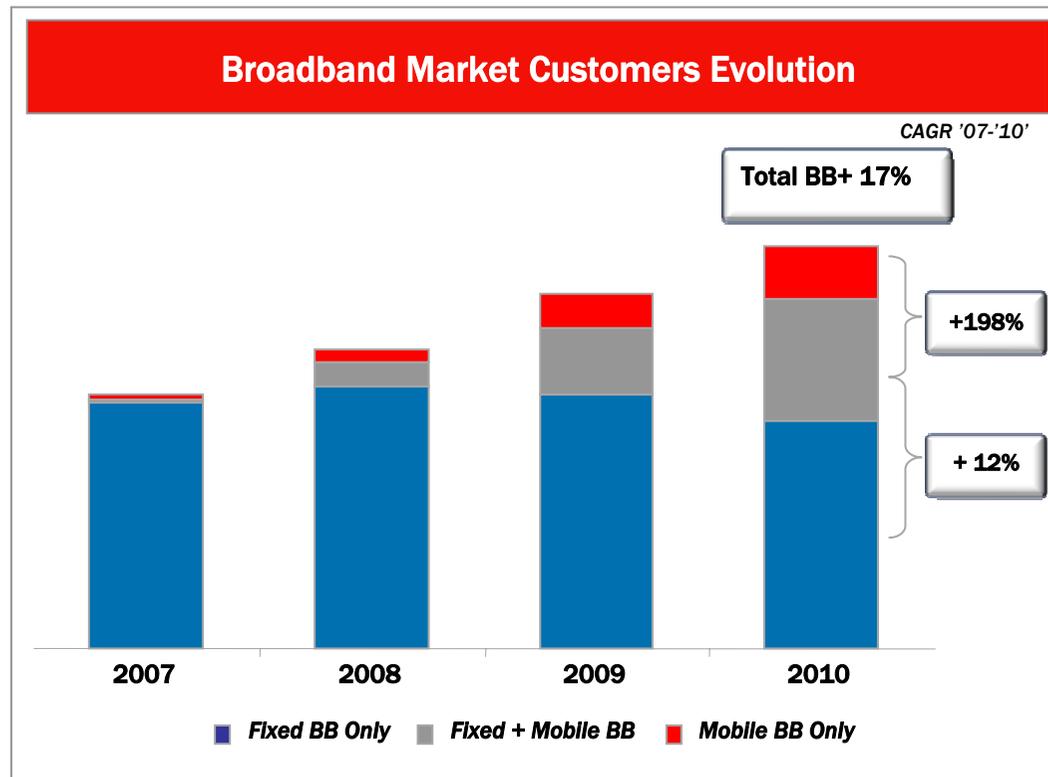
**Fixed Broadband**

**Mobile Broadband**

(\*) Community users (TIMx and TIM Tribù customers) + TuttoCompreso customers



# Italian Broadband Market Overview



Mobile BB growth has been a boost for the overall BB market growth (F+M)

Source: Between 2010 edition



# Fixed Broadband

## ITALIAN MARKET SCENARIO

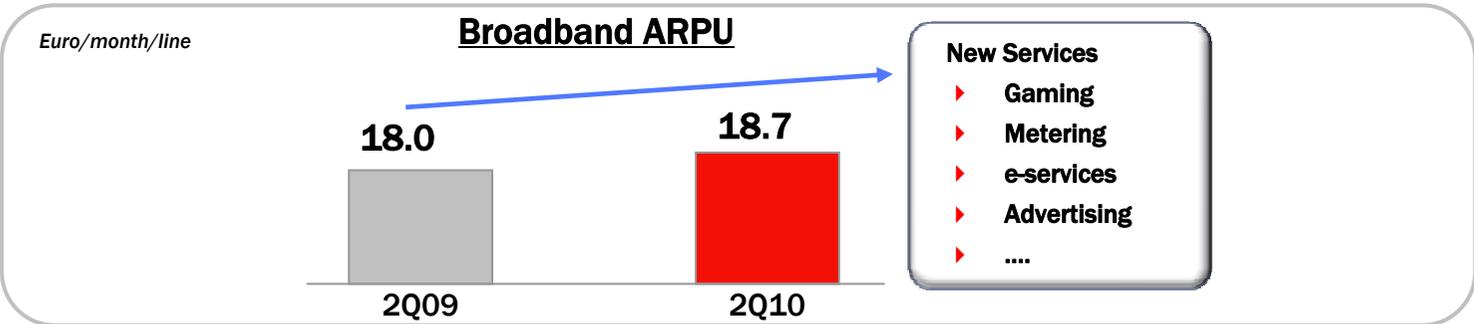
- ▶ No “cable operators”
- ▶ Low penetration (~54% vs 76% European average) mainly due to low PC penetration
- ▶ “Best effort” approach
- ▶ Competition mainly based on price

## ACTION ITEMS

- ### Access Related Revenues
- ▶ Increase PC penetration
  - ▶ From a Best Effort bandwidth to a Quality of Service

- ### Customer Related Revenues
- ▶ From a pure sale of connectivity to the attack of part of the OTT value chain

## KEY EVIDENCES





# Mobile Broadband: Big & Small Screen

## ITALIAN MARKET SCENARIO

### Big Screen

- ▶ Substitution vs Fixed BB?
- ▶ Internet Low Band Demanding => YES
- ▶ Internet High Band Demanding => NO

### Small Screen

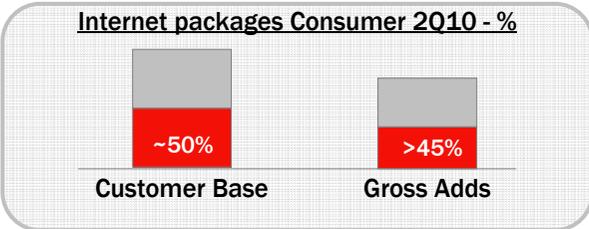
- ▶ Customer Needs: Internet Always-on / Everywhere
- ▶ Personal use
- ▶ User Experience enhanced by new technology devices

## ACTION ITEMS

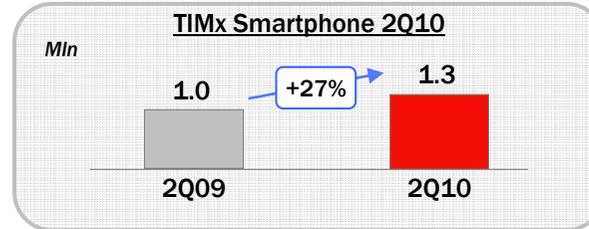
- ▶ Time based offers
- ▶ Traffic prioritization to manage traffic load
- ▶ Throttling to avoid bill shock
- ▶ Frequencies needs

- ▶ Flat rate offers
- ▶ Influencing new enabling technologies
- ▶ Managing VAS evolution
- ▶ Developing Multidevice interoperability services

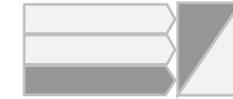
## KEY EVIDENCES



2010 Big Screen Revenues\* +~43% YoY



2010 Small Screen Revenues\* +~15% YoY

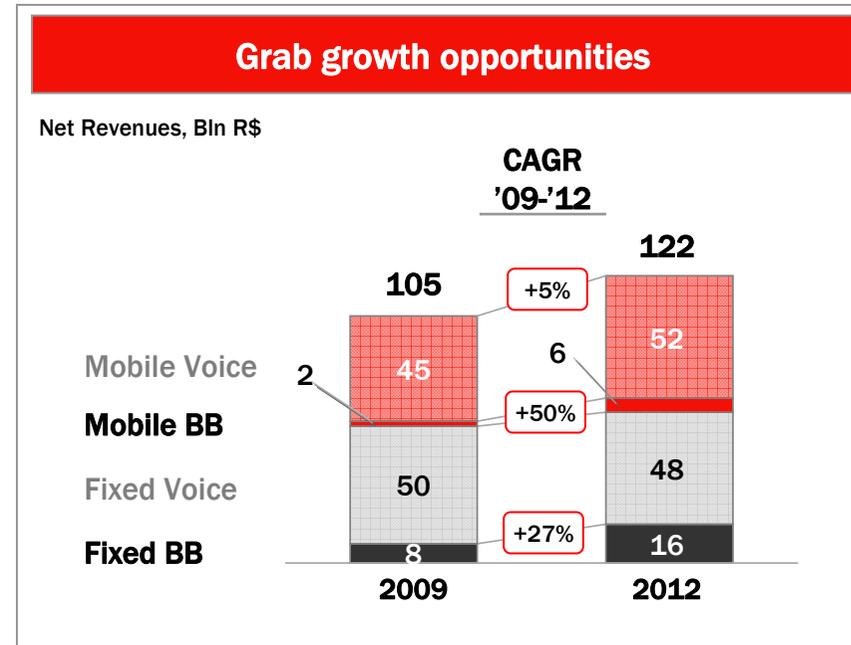
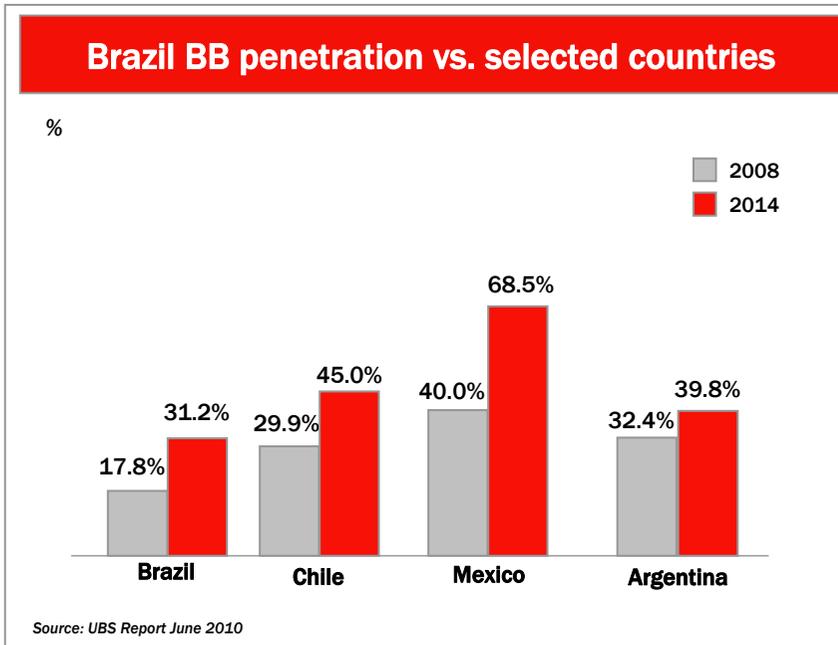


## Focus on Regulation: TI's View

Key issues	TI's position	Status
<p><b>Access</b></p>	<ul style="list-style-type: none"> <li>▶ Protect the value of access:                             <ul style="list-style-type: none"> <li>▶ ULL increased by ~3% in 2010 (8.70 €/month), 5% in 2011 (9.14 €/month) and ~4% in 2012 (9.48 €/month)</li> </ul> </li> </ul>	<p>✓</p>
<p><b>Next Generation Network</b></p>	<ul style="list-style-type: none"> <li>▶ Establish a light regulation approach:                             <ul style="list-style-type: none"> <li>▶ no asymmetry between TI and OLOs,</li> <li>▶ Geographical differentiation</li> </ul> </li> </ul>	<p><b>WIP</b></p>
<p><b>Frequencies</b></p>	<ul style="list-style-type: none"> <li>▶ A further lever for growth                             <ul style="list-style-type: none"> <li>▶ Use of Digital Dividend spectrum for mobile services to boost mobile BB</li> </ul> </li> </ul>	<p><b>WIP</b></p>
<p><b>Bandwidth management/QoS</b></p>	<ul style="list-style-type: none"> <li>▶ Mobile business is peculiar:                             <ul style="list-style-type: none"> <li>▶ no new forms of limitation for mobile operators in managing their networks</li> <li>▶ offering of differentiated quality services based on non discriminatory principles</li> </ul> </li> </ul>	<p><b>WIP</b></p>



# Brazilian Market Overview: Focus on Broadband



- ▶ Fixed BB penetration in Brazil is <20% of households vs. >30% in Mexico, Argentina and Chile
- ▶ Poor Fixed BB supply from incumbents resulting in important residential wireline disconnections



# TIM Brasil: acting as a pure mobile challenger

## BRAZILIAN MARKET SCENARIO

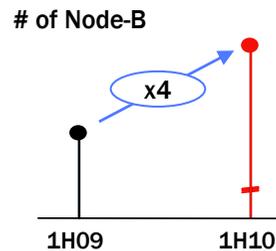
- ▶ 70 million internet users to be transformed into Mobile Surfers:
  - ▶ 44 mln addressable market through fixed broadband substitution (Mobile BB, Smartphones)
  - ▶ 26 mln of Internet Cafe users, via mid tier cell phones with internet on board (Internet Cafe Substitution)

## ACTION ITEMS

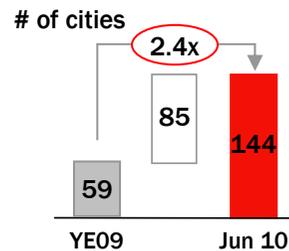
- ▶ Mobile Broadband: time based pricing
- ▶ Segmented Small Screen approach:
  - ▶ High Value customers: Top Smartphone+"unlimited" internet
  - ▶ Low Value customers: Low cost devices + simple and accessible monthly fees&plans

## KEY EVIDENCES

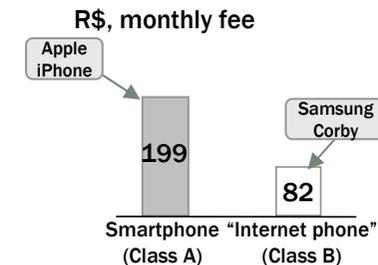
### 3G towers activated



### 3G coverage



### Liberty + 100





## Key Takeaways

### Network

- ▶ Evolve from today's to tomorrow's network, but with the right timing

### Services

- ▶ Improve the knowledge of our customers to increase loyalty
- ▶ Evolve remuneration model from voice to enriched access
- ▶ Find out new drivers of growth via fixed & mobile broadband

### Regulation

- ▶ Protect Access Value
- ▶ Light NGN rules
- ▶ Net Neutrality: acknowledge mobile peculiarity

## TI Positioning

*Italy:  
Convergent  
Operator*

*Brazil:  
Pure Mobile  
Attacker*