Telecom Italia Analyst & Investor Briefing
2009 Results & Strategic Plan Update
Milan, April 13th, 2010

Telecom Italia
Strategic Plan Update

OSCAR CICCHETTI

Safe Harbour

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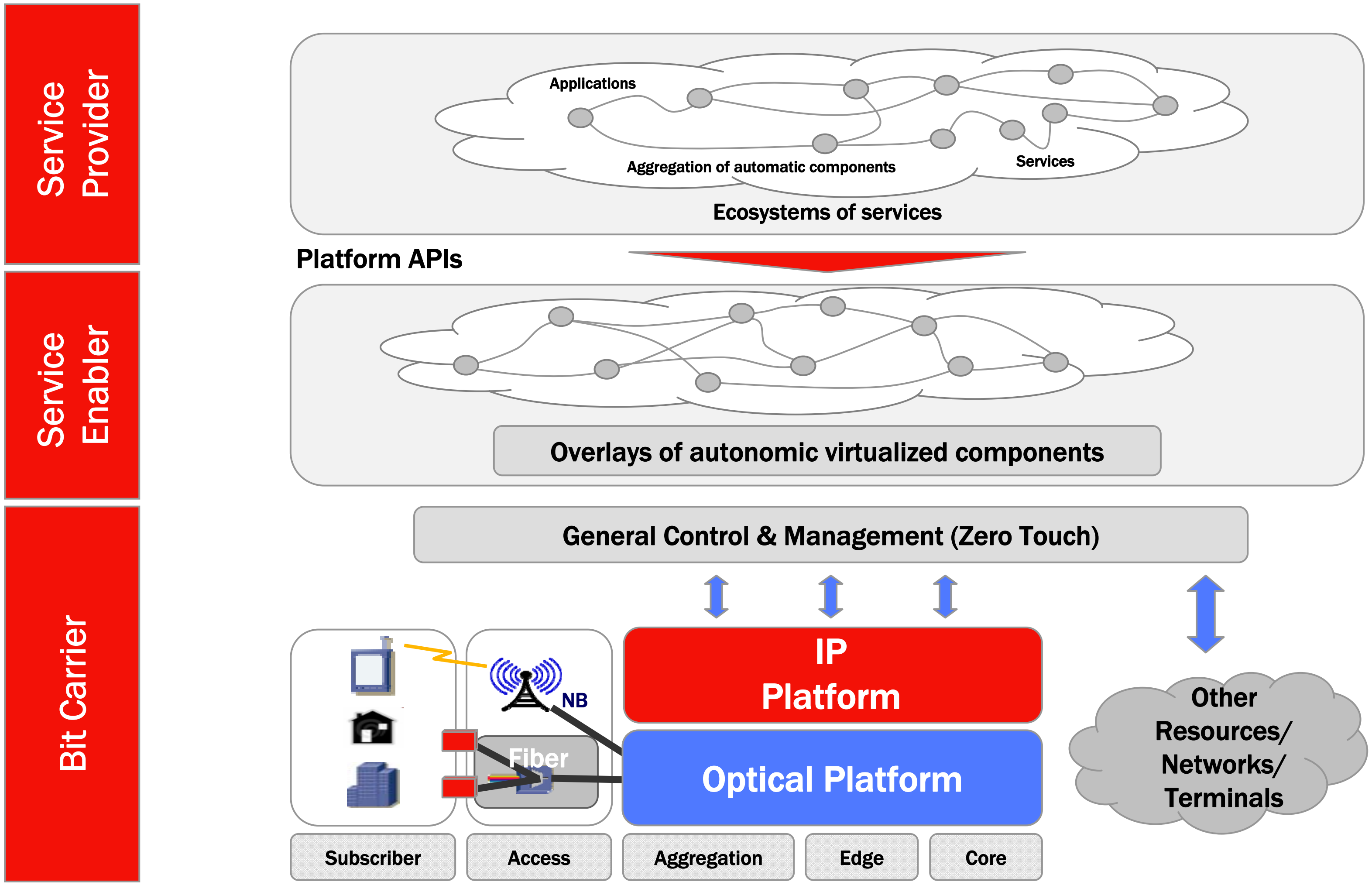
Network Evolution

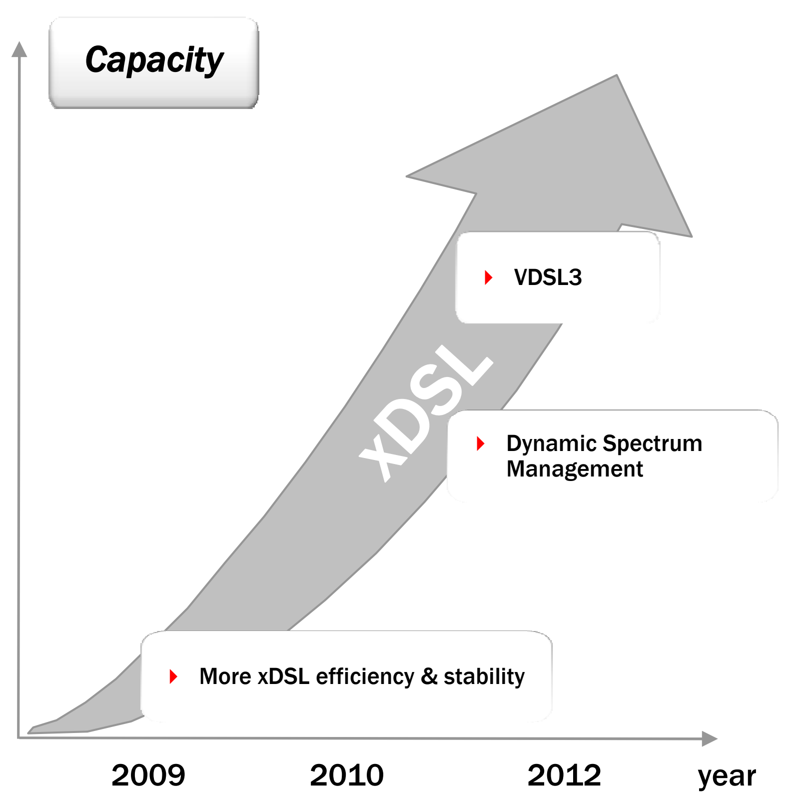


Agenda

- **Wired Access**
- Wireless Access
- Core Network
- Platforms
- Capex Breakdown

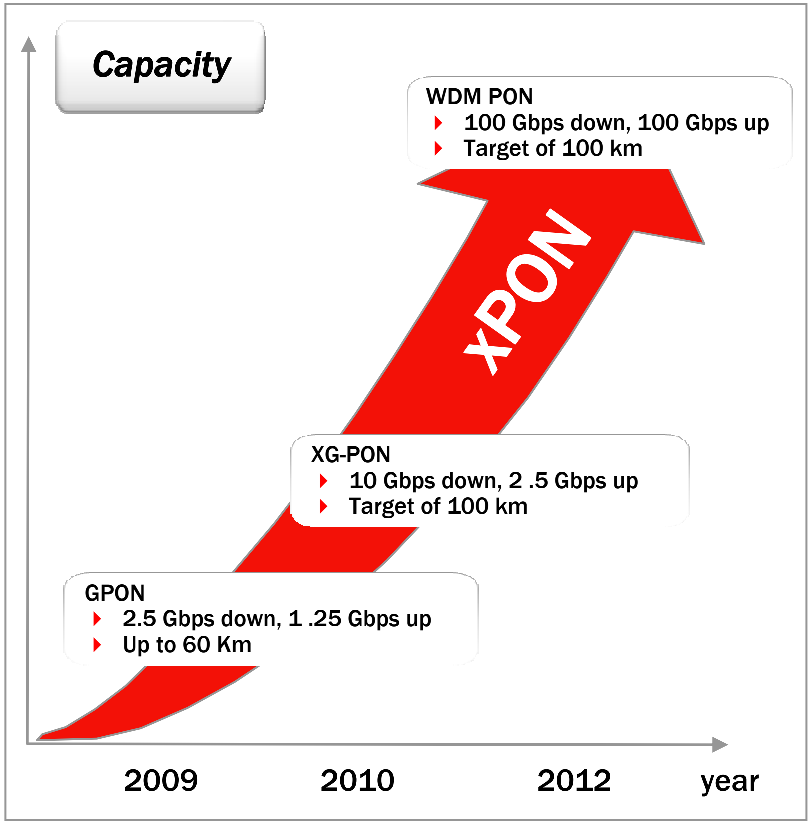
Wired Access – Copper and Fiber will coexist

Copper Access Evolution



- Copper: continue innovation, increase performance

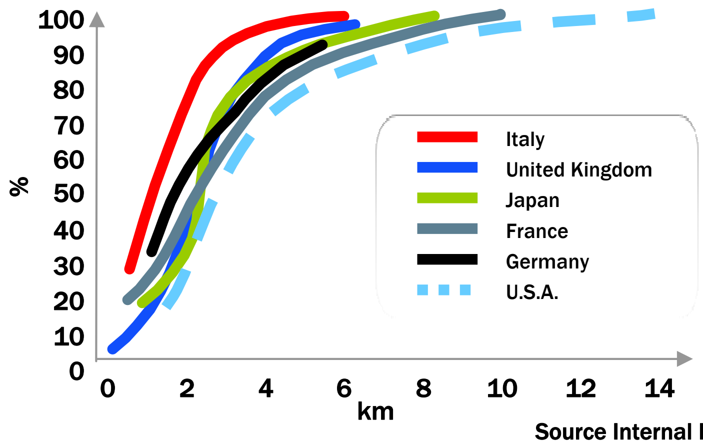
Fiber Access Evolution (NGAN)



- Fiber: to match a symmetric Gigabit per client

Wired Access – Copper Value

Last mile length



Source Internal Estimates

- Relevant portion of TI asset
- Lower Average Length
- xDSL still evolving (DSM, VDSL3)

High Profitability

Extention and Renewal

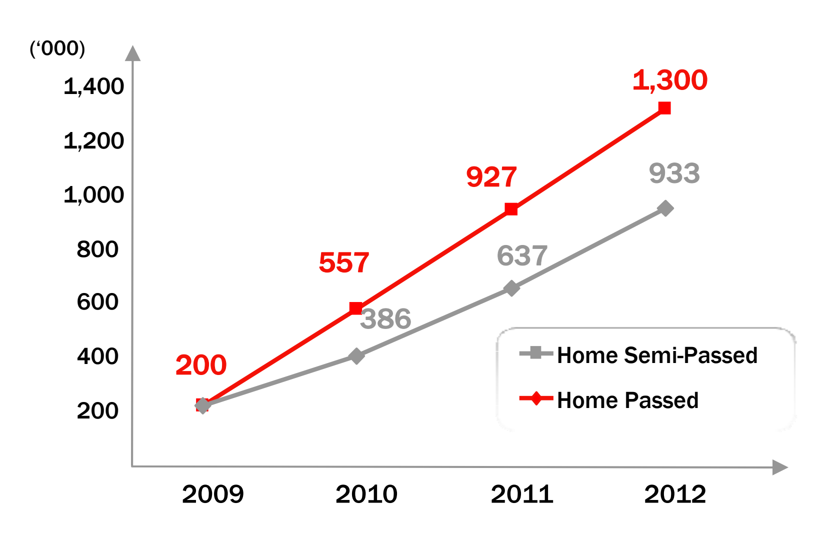
- +100k Households per year
- Extraordinary maintenance on most vulnerable elements

Performance Improvement

- More robust xDSL technologies in the switching centers
- Fiber + MSAN in case of Copper pairs longer than 3 km:

Wired Access – Fiber Selective Development

Timetable Roll-out



- Poor Market Demand
- Unclear Savings
- Large Investments

Uncertain Profitability

Regulatory Expectations

- Infrastructure Based Competition
- No Retail Obligations
- Wholesale Prices Increase

Market Focus

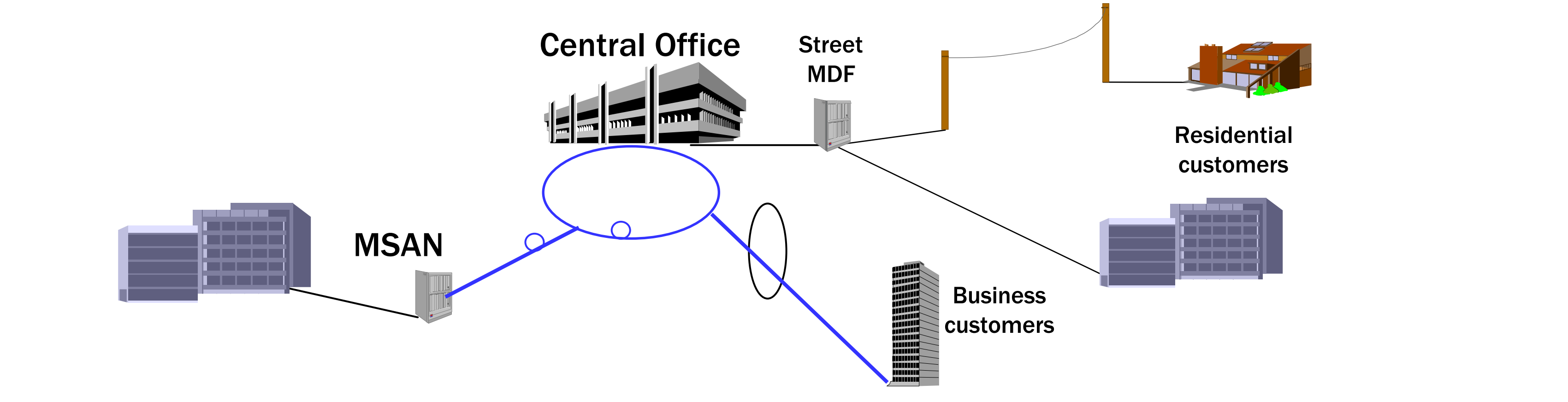
- Business Customers
- Main metropolitan areas (Rome and Milan)
- Wireless Backhauling

Technical Solutions

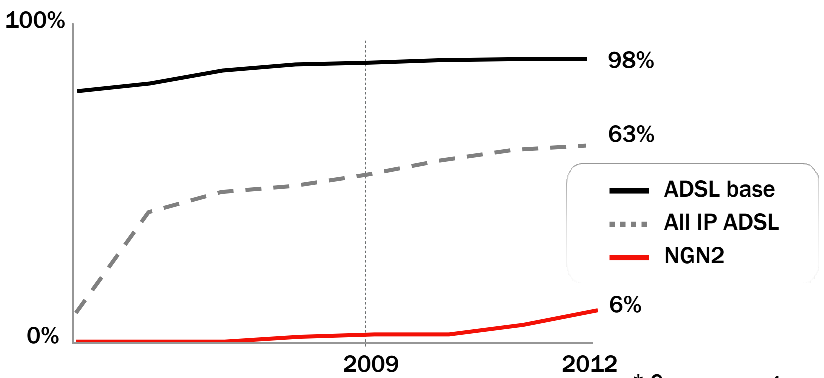
- FTTH G-PON architecture
- Innovative less expensive digging solutions

Wired Access - Evolution

Copper Network Architecture

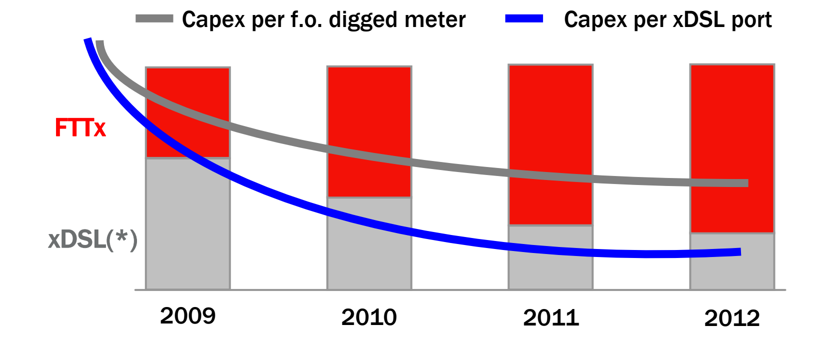


BB Fixed – Coverage* Evolution



* Gross coverage

BroadBand Platform Investment



* Copper capex not included

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- **Wireless Access**
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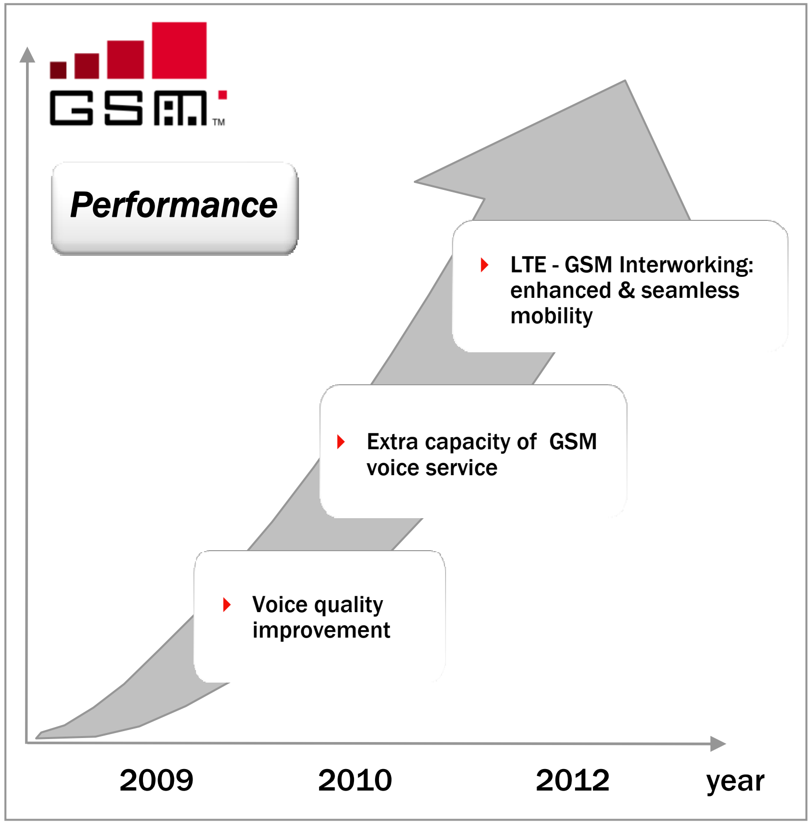
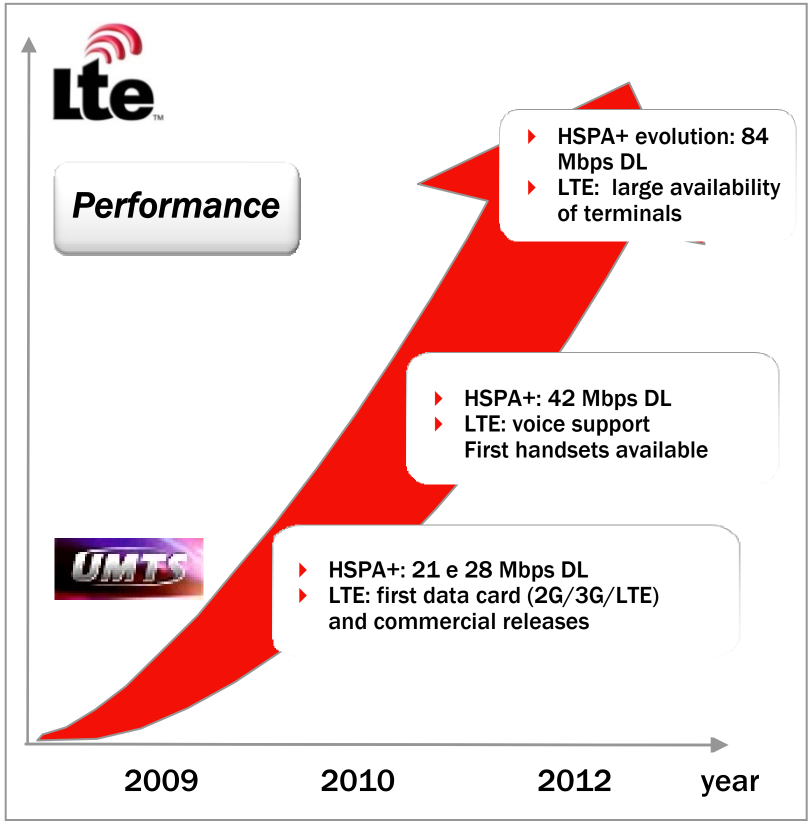
Wireless Access – Voice & Broadband

2G evolution (GSM, GPRS, EDGE)



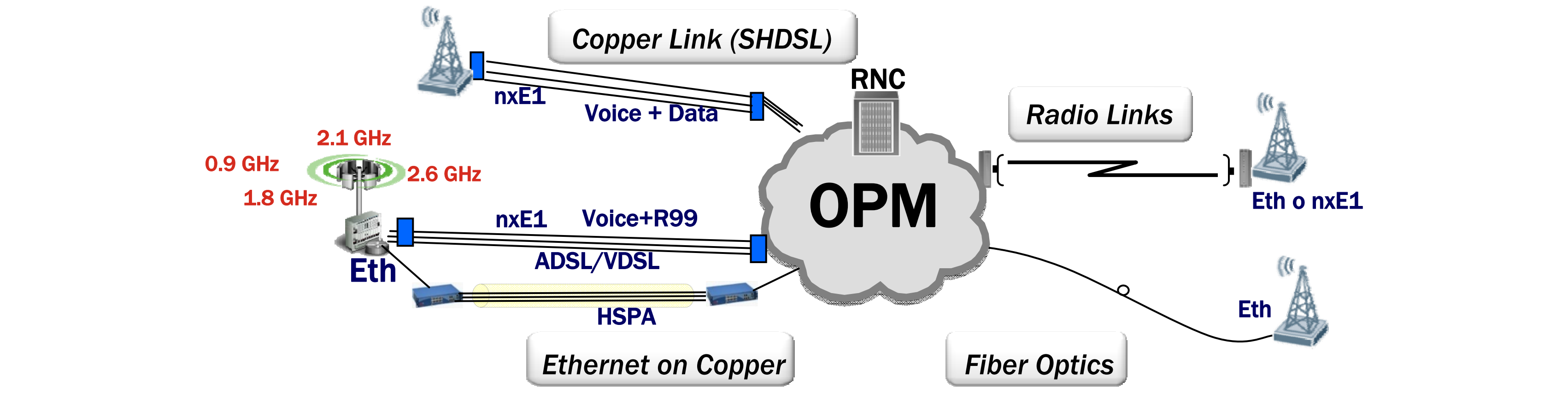
3/4G (UMTS, HSPA, LTE)



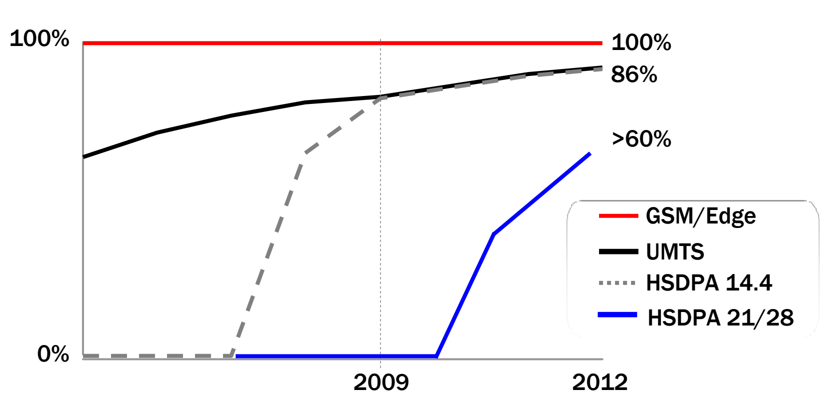
- **Extended BB coverage (whole country)**
- **Selected areas for HSPA+ and LTE deployments based on macro, micro/pico and femto cells**
- **Femtocells backhauling via fixed BB connectivity**

Wireless Access - Evolution

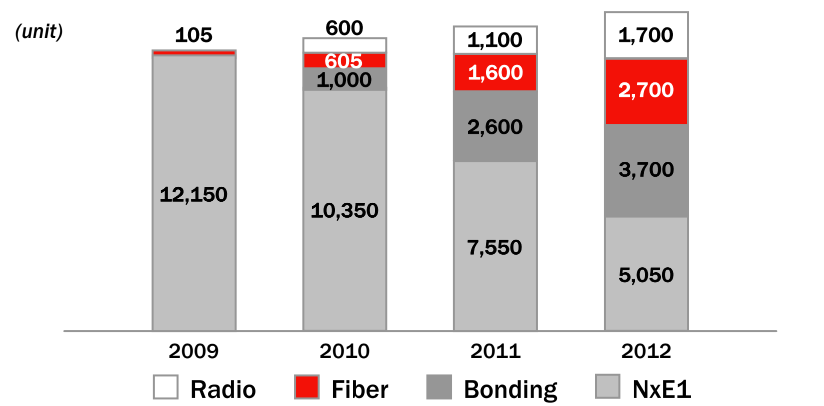
Mobile Network Architecture



Development of Radio Access Coverage

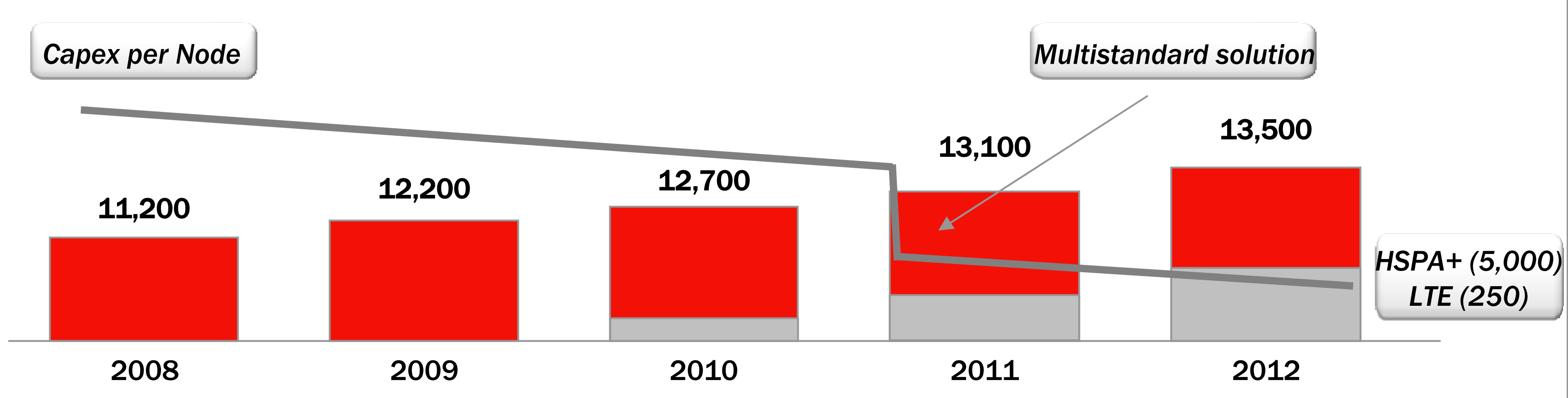


Backhauling

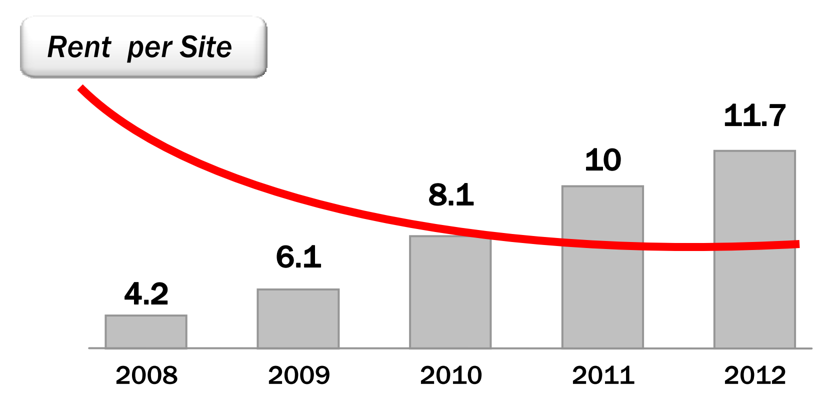


Wireless Access - Cash Cost Reduction

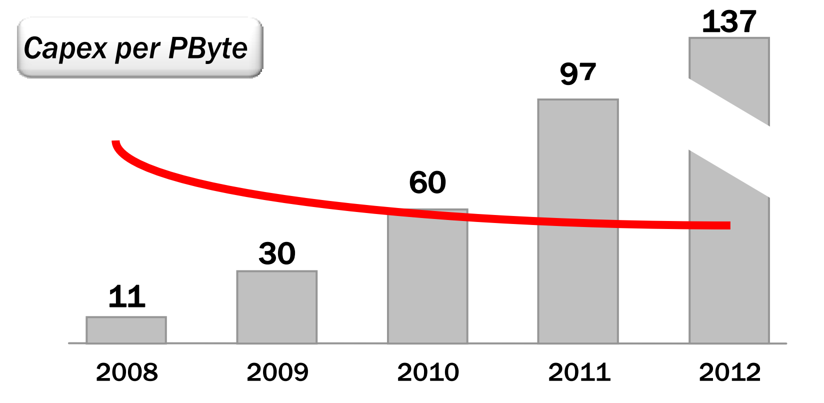
3G Nodes



Site Sharing (k number of sites)



Mobile Petabytes



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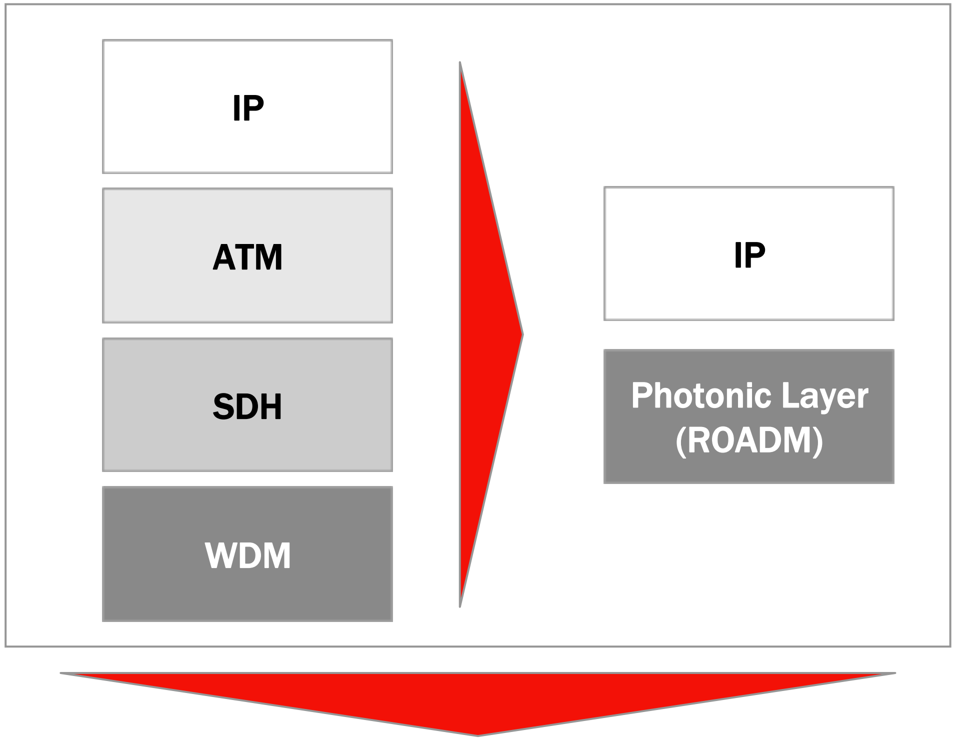
- Capex Breakdown

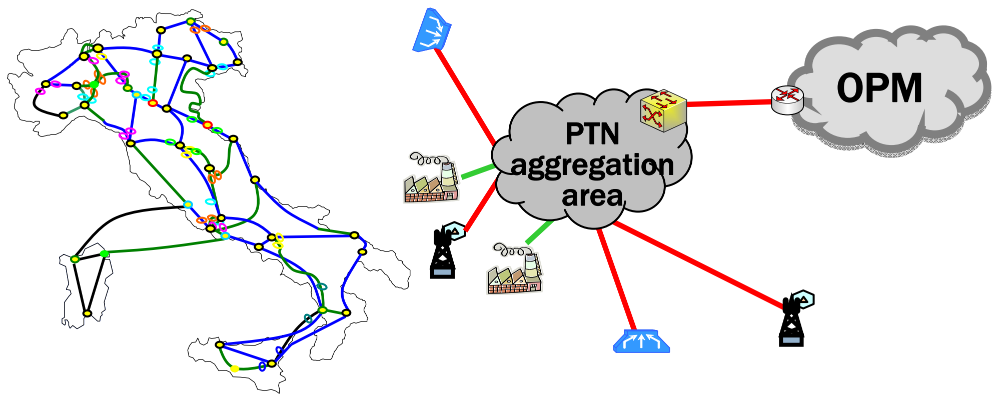
Core Network – Delayering toward IP over ROADM



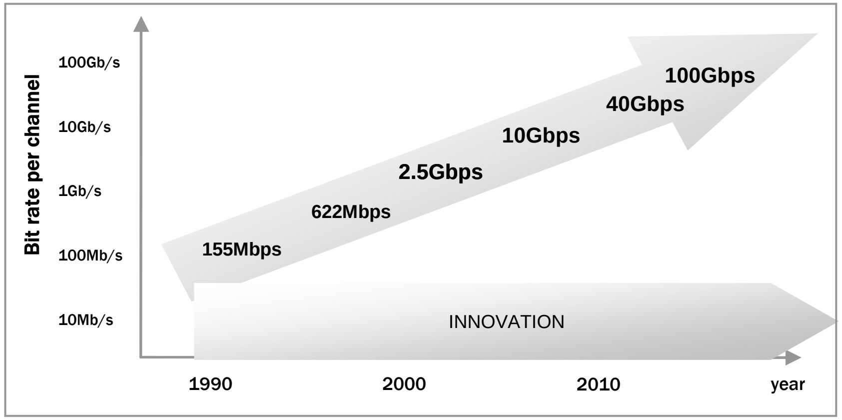
- Large implementation of xDSL (DSLAM) IP within the access
- Progressive migration of ATM and SDH to IP

Core Network - Evolution

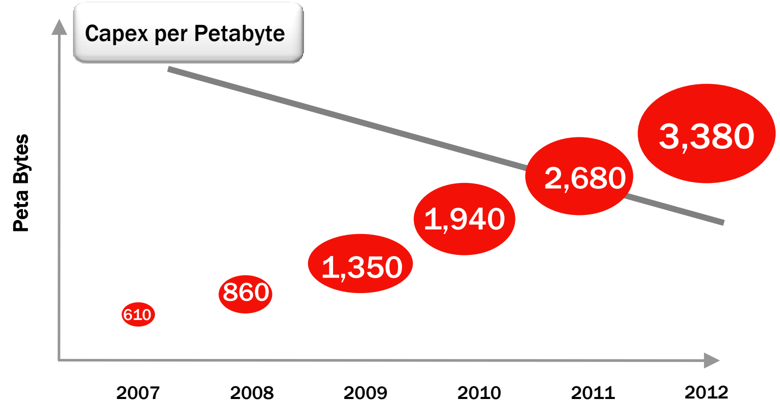
Core Network Evolution



The Capacity increase



IP Traffic



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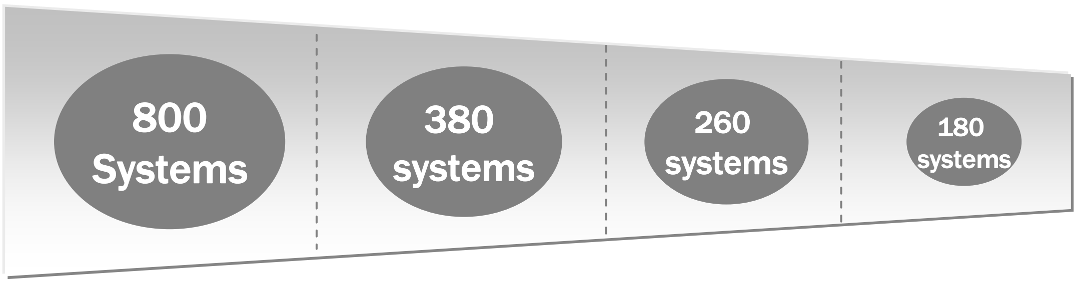
- **Platforms**
- Capex Breakdown

IT Platforms



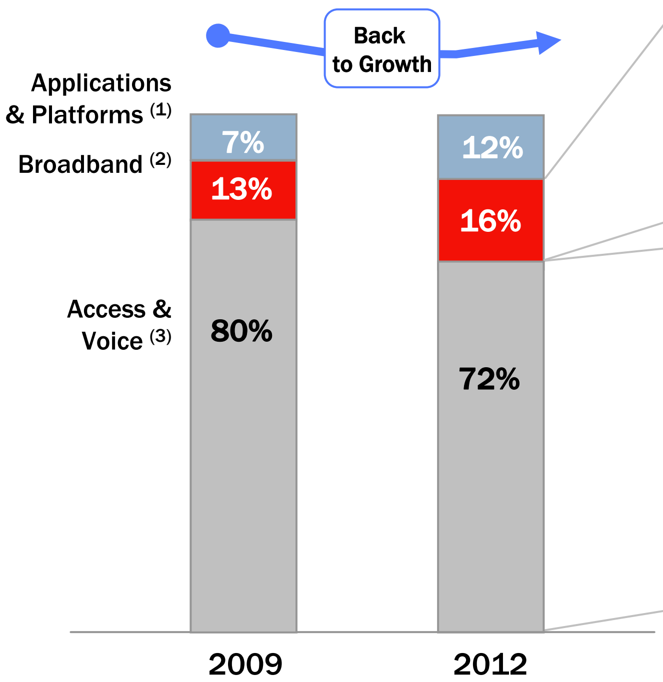
- Interface Standardization
- Centralized Management

	2009	2012
IT Systems	800 Systems	180 Systems
Managed Workstation	80,000 PCs	40,000 Thin Client 25,000 portable PCs
Server	12,000 Servers	2,000 Servers + Virtualization
Data Center	8 Data Centers	3 Campus Data Centers

Architecture Streamlining
Management Costs Reduction

Service Platforms

Reverse Revenues Trend



Enriched Connectivity
- Flexible Bandwidth
- Enriched P2P
- Self Provisioning & Self Caring

Mobile Internet
- Higher Throughput
- Quality Differentiation
- Ultrabrowsing Experience on selected areas

Personal Communication
- Enhanced Phonebook
- Enhanced Messaging
- Personal Communities

Business Collaboration Suite
- Unified Messaging
- IP Videoconferencing
- Collaboration Tools

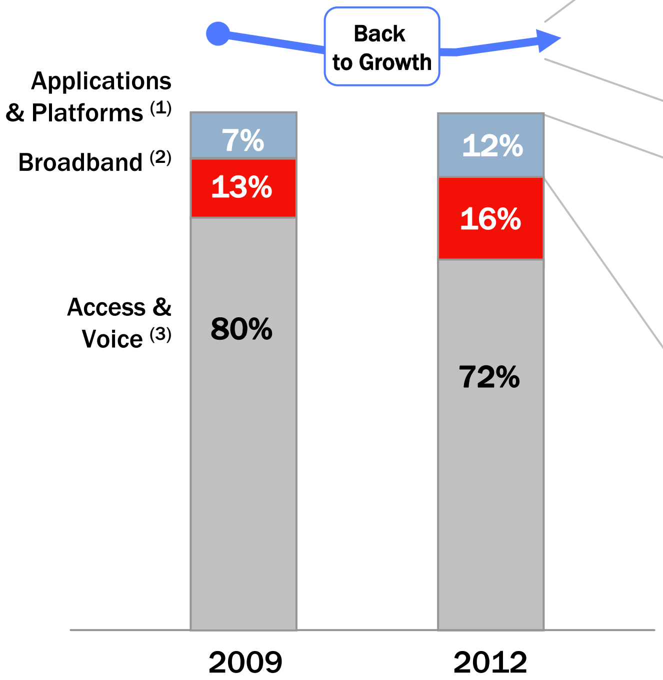
(1) *ICT Services, BB Content (Adv., IPTV), Mobile VAS Content*

(2) *Mobile BB, Fixed BB (Access)*

(3) *Fixed: Access, Outgoing Voice, Voice VAS, Business Data, Handsets; Mobile: Outgoing Voice, Messaging, Handsets*

Enabling Platforms

Reverse Revenues Trend



Machine to Machine
- Smart Cities
- Digital Home
- Smart Car

Profiling & Recommendation
- Traditional Customer Profiling
- Location on Mobile Networks
- Web Profiling
- Network Profiling

Cloud Computing
- Infrastructure as a Service
- Platform as a Service
- Software as a Service

Content Delivery
- IPTV
- WEB and OTT TV
- CDN based Services

(1) ICT Services, BB Content (Adv., IPTV), Mobile VAS Content

(2) Mobile BB, Fixed BB (Access)

(3) Fixed: Access, Outgoing Voice, Voice VAS, Business Data, Handsets; Mobile: Outgoing Voice, Messaging, Handsets

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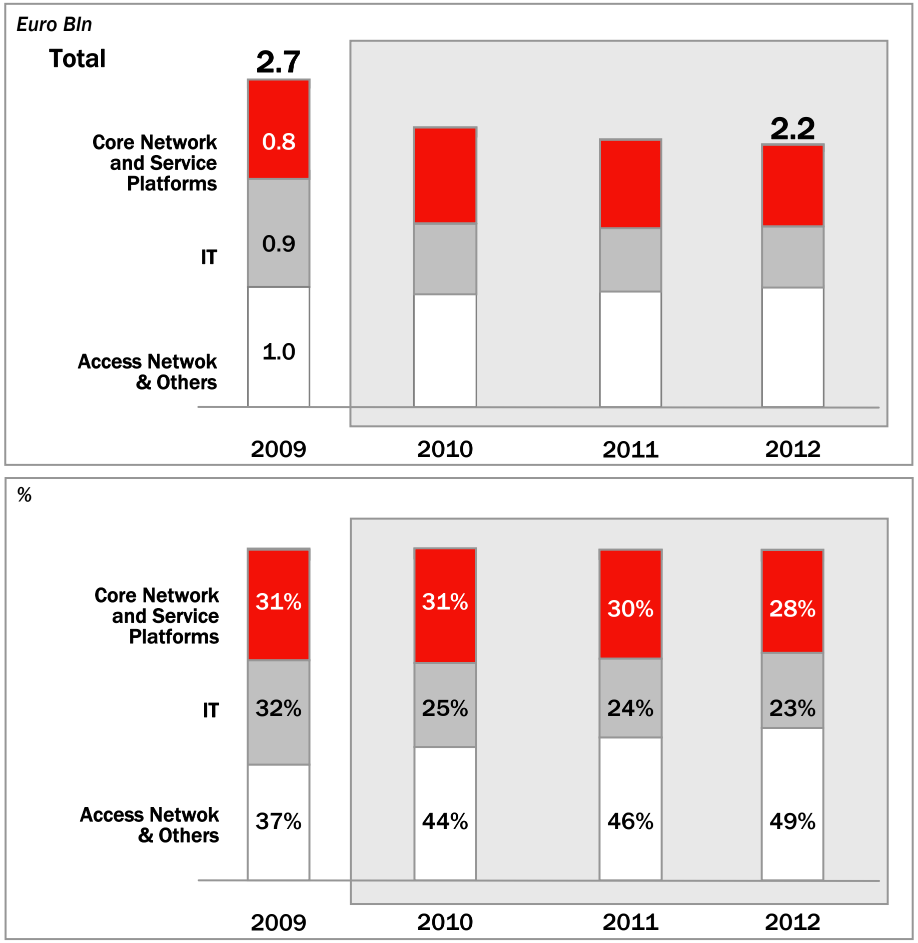
- **Capex Breakdown**

Capex Breakdown

Focus on Network & IT



- Capex reduction around 20% among the 3 year Plan
- Full support of all our business commitments

Technology - Take Aways

Access Network

Increase coverage and throughput to support BB (Fixed/Mobile) development
Slightly increase in capex amount trough:
- introduction of multistandard mobile access nodes
- price decline in xDSL
- selective fiber roll out and innovative digging technologies
- cooperation with P. Administrations for Digital Divide and new networks roll out

Core Network and Service Platforms

Delayering and strengthening to support data traffic growth and effectiveness of service offering
Capex broadly slightly declining trough:
- price decline in optical equipment
- smooth phase out of legacy platforms
- adoption of OTT approach in service development

IT Platforms

Integrate and empower to simplify business processes and support efficiency plan
Strong reduction in capex due to:
- integrated architecture
- virtualised infrastructures
- vendor consolidation