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

TIM Brasil
Strategic Plan Update

LUCA LUCIANI

TELECOM ITALIA

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.

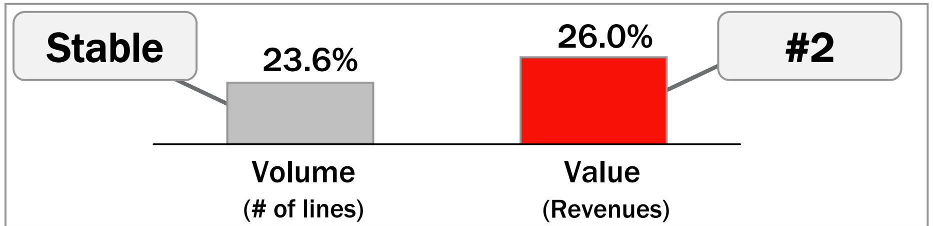
Agenda

- What we did
  (2009 Repositioning path)
- Where we want to go (Strategy)
- Where we are (Expected Q1 2010)

2009: TIM #2 in the Brazilian Market (4Q 2009)

KPIs	Size Q4	Ranking: Size Q4	Ranking: Growth Q4 vs Q3	
Customer Base	41.1 MM (23.6% *Market Share*)	#3	#3	Volume
ARPU	R$ 28.8	#1	#1	Value
Net Services Revenues	R$ 3.47 Bln	#2	#1	Value
EBITDA, organic	R$ 1.07 Bln	#2	#1	Value
EBITDA margin, organic	29.6%	#2	#1	Value

Market Share TIM (Q4 09)



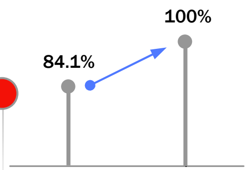
2009 Repositioning Path

Quality

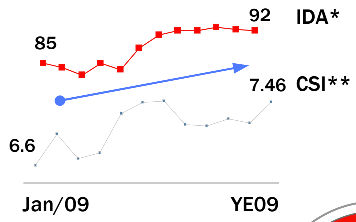
- R$ ~2 Bln Industrial CAPEX

Network

%, ranking Anatel



Caring

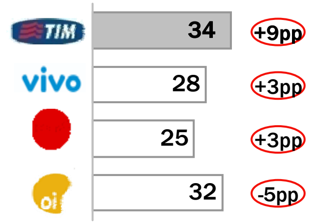


*ANATEL's performance index
**Customer Satisfaction Index

Innovation

Most innovative brand

% of respondents indicated as "innovative company"



Infinity

Liberty

Δpp vs. previous wave

- 2x advertising
- 17 MM Infinity Pre
- 1 MM Infinity Post

TIM
QoQ growth

Efficiency Plan

% on serv. revenues

Commercial costs and Bad Debt*	-340 bps	4Q08	4Q09
Industrial costs and ITX	-250 bps	4Q08	4Q09
Personnel and G&A costs	-120 bps	4Q08	4Q09

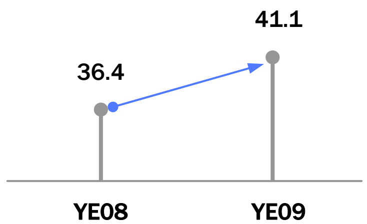
* Including handset cost

R$ ~0.8 Bln savings

Efficiency

Customer Base

MM of lines



+ 4.7 MM of Lines

Sales / Customer Base development

Marketing Approach: "Breaking the Rules"

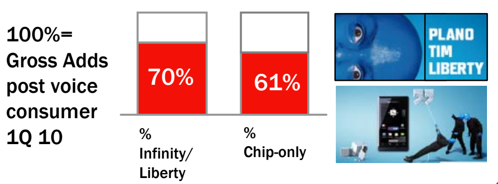
Post-paid: Market rule

- **Handset based** (with max 12 months fidelity)
- **Low MOU; flat on-net vs. off-net calls** (with high MTR)

TIM "Breaking the Rules"

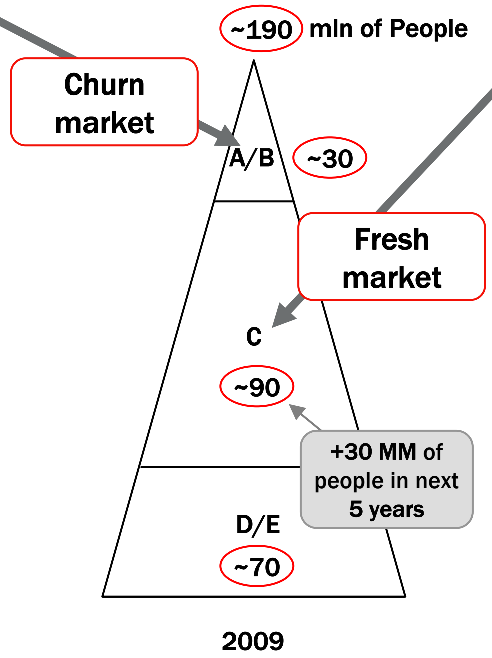
- **"All you can eat" community based** (local and long distance)
- **Chip-only + handset sales in 12x** (unlocked)

Take up of Liberty and Chip Only plans



Benefits

- **Customer:**
  - Free to talk at lower cost
  - SIM-unlocked phones
- **Operator:**
  - Higher return (lower SAC, ITX and Bad Debt)
  - TIM Community valorization



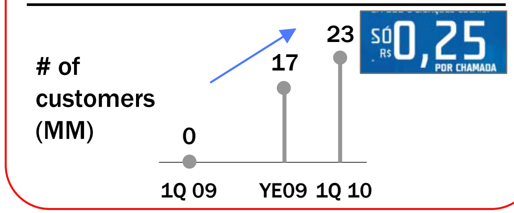
Pre-paid: Market rule

- **Short local calls** (aggressive promos based on local calls only)
- **Long distance calls just via fixed line** (or public phones)

TIM "Breaking the Rules"

- **Pay per call** vs. traditional pay per minute
- **Community based local and Long Distance** (Local=Long Distance)

Infinity (Pre-paid)



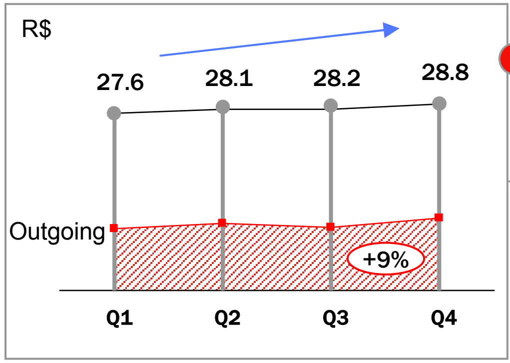
Benefits

- **Customer:**
  - Long calls via mobile (both local and long distance)
- **Operator:**
  - Long calls via Mobile (both Local and LD)
  - Differentiation
  - ARPU increase

2009: Consistent QoQ Growth

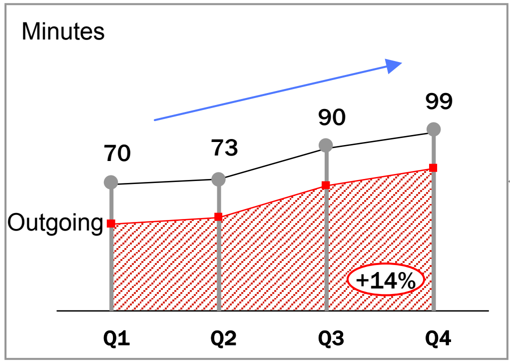
QoQ Growth

ARPU

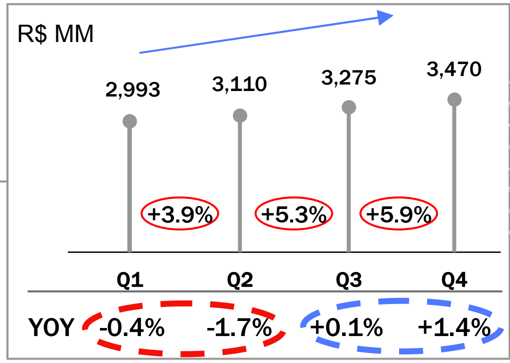


ARPU Leader

MOU



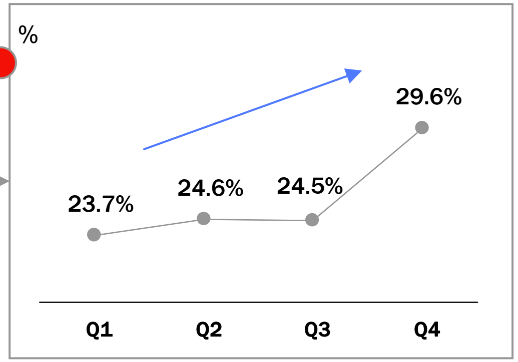
Services Revenues



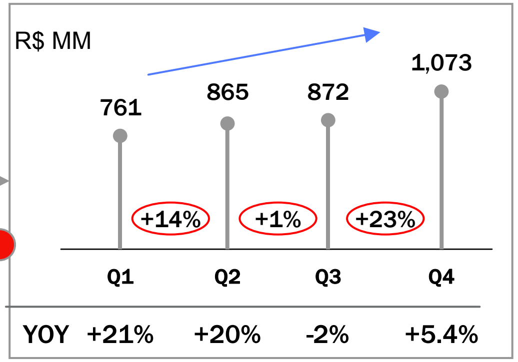
- Inverted trend in 2H
- FY 2009
  - 12.8 Bln R$
  - ~Flat YoY

EBITDA % organic

FY 2009
25.7%
+230 bps YoY



EBITDA organic



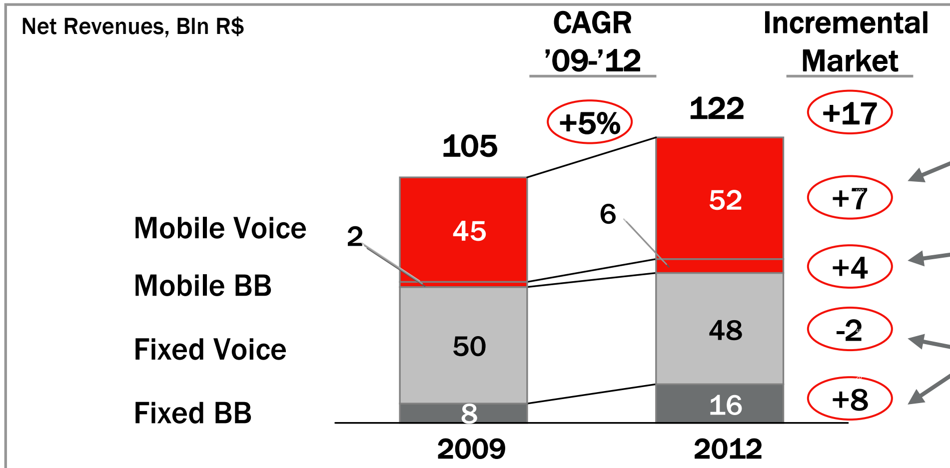
FY 2009
3.6 Bln R$
+9.6% YoY

Agenda

- What we did
  (2009 Repositioning path)
- **Where we want to go (Strategy)**
- Where we are (Expected Q1 2010)

Strategy: 5 Tasks to Create Value

Grab growth opportunities



1. Task #1: Voice
2. Task #2: Mobile data
3. Task #3: Convergence

Service Revenues Growth & Margins Improvement

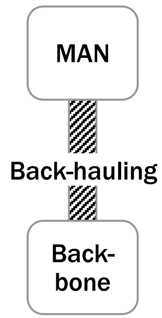
Task #5 - Efficiency

% on Revenues

Commercial costs and Bad Debt*	2009	-250 bps	2012
Industrial costs and ITX	2009	-200 bps	2012
Personnel and G&A costs	2009	-50 bps	2012

* Including handset cost

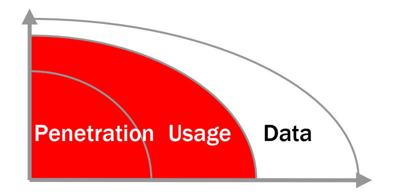
Task #4 - Build a solid Network



- One back-bone
- Property backhauling
- Capacity in 2G
- Coverage in 3G

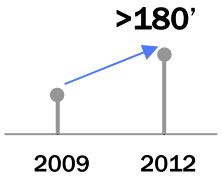
Task #1 - Voice: “Keep the Pressure”

Source of growth



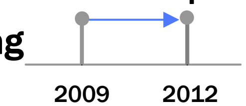
Expected results

MOU



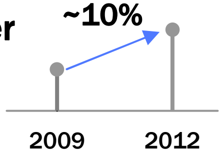
ARPU Outgoing

Maintain leadership



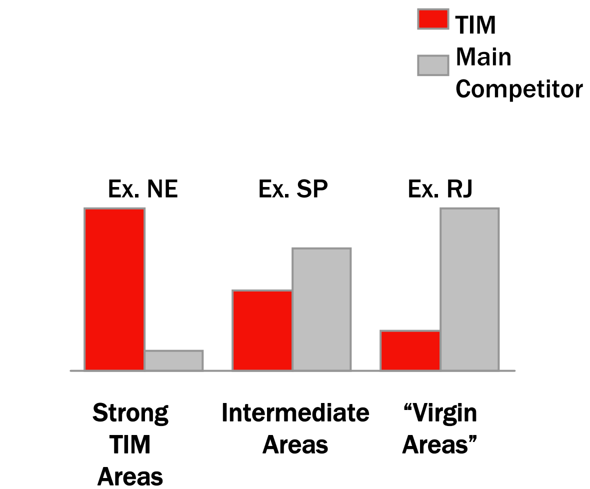
Customer base

CAGR ~10%



Penetration: “Regional” approach

Develop current TIM Market Share



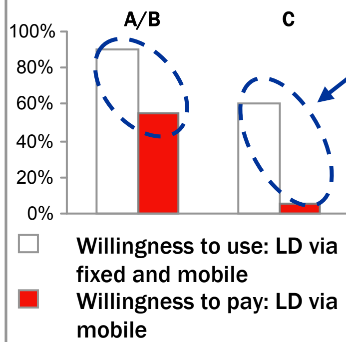
Tough for new comers

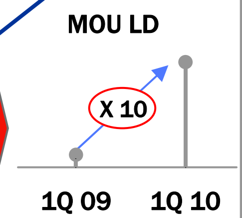
Explore Untapped Market

Usage: Push on FMS (positive elasticity)

Pre-Paid: Leveraging LD

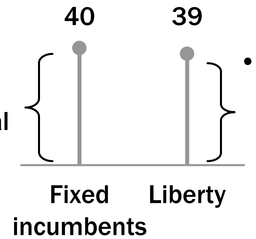
% of population





Post-paid: “Cut the wire”

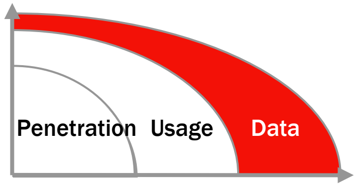
Monthly fee (R$)



- Includes 200 min. F-F Local
- Include unlimited on-net (Local + LD)

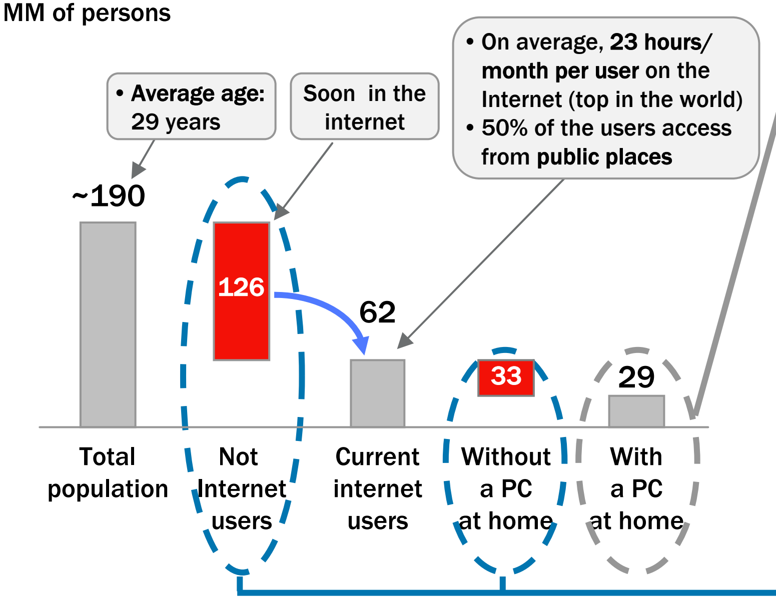
Task #2 - Mobile Data: “Ready to Go” as of H2 2010

Source of growth



Brazilian Internet Market

MM of persons



“Me too” strategy

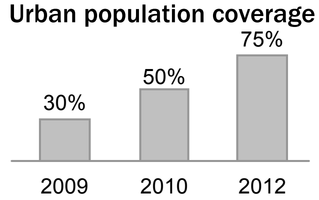
- **Internet experience via mobile smartphone** (micro-browsing)
- **Selective approach on internet key** (browsing)

TIM “Breaking the Rules”

- **Mobile Internet in a profitable way**

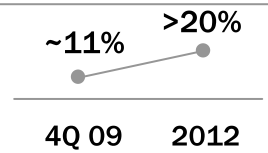
Enabling factors

- **Fast Network roll-out** (14 Mbps downlink and 2.8 uplink in main cities)
- **Low-end handsets with rich internet experience** (<100 USD)
- **Affordable and simply tariff plans**



Expected results

VAS / Service Revenues (%)



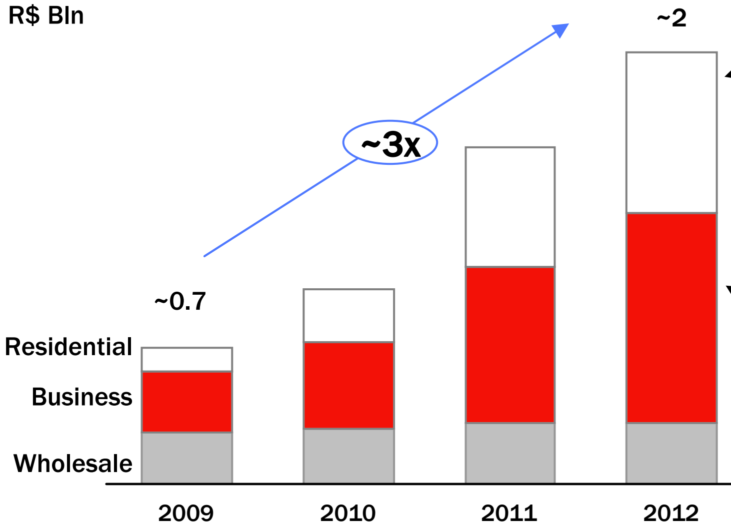
Boost VAS contribution

Task #3 - Convergence: Attack Fixed Incumbents

Intelig "Option Value"

Fixed Consumer (LD)	"Attack to Fixed Incumbents"
Business (Voice & Data)	"Convergence and Solutions"
Wholesale	"Reference Partner for emerging Telco"

Expected results

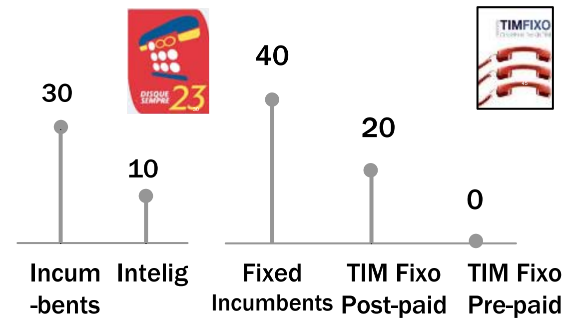


- **Intelig: F-F Long Distance calls via "23" code**
- **Bundling of fixed solutions** (TIM Fixo/Web)

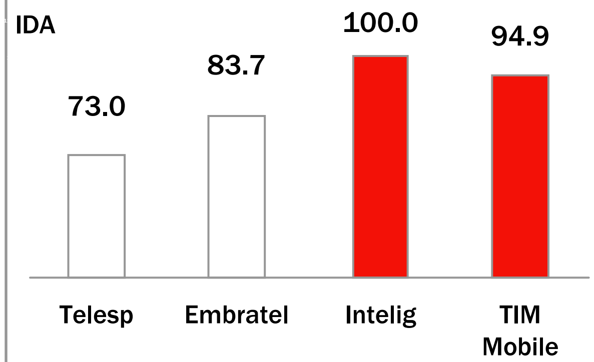
- **Cross- selling:** direct sales force integration (TIM and Intelig)
- **Solutions for Top Customers** (voice, data, fixed and mobile)
- **Partnership with local utilities** (ex:AES)

Supporting evidences

Convenience



Quality

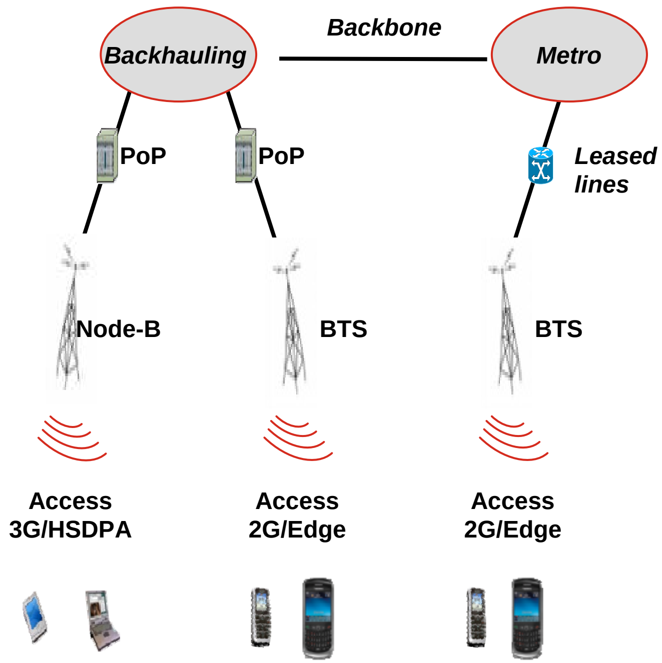


Task #4: Build a Solid Network

Network Infrastructure

Key actions

1. One single backbone (TIM - Intelig)
2. Link to Intelig MANs
3. Roll-out microwaves backhauling
4. Double 3G coverage
5. Double 2G capacity

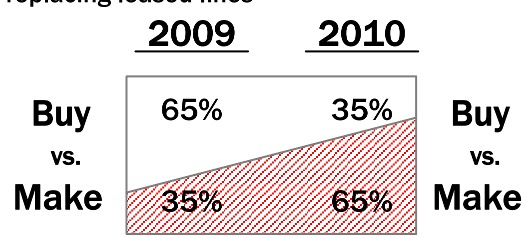


Network targets and priorities

	2010-12	2010
3G Coverage (# antennas)	~6,000	~3,500
2G Capacity (# TRX)	>50,000	>15,000
2G Coverage (# BTS)	1,500	750
Radio back-hauling	~10,000	>4,000

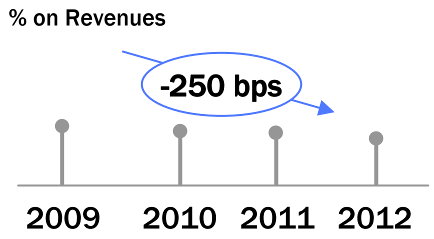
Efficiency & reliability in Back-Hauling

MW replacing leased lines



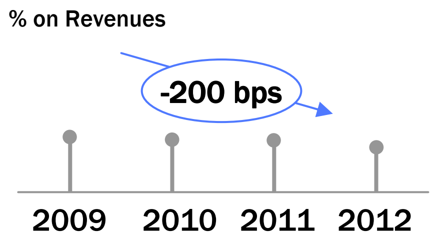
Task #5: Efficiency for a Sustainable Growth

Commercial costs and Bad Debt**



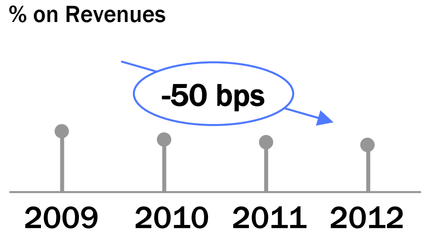
- Chip-only
- Bad debt

Industrial costs and ITX



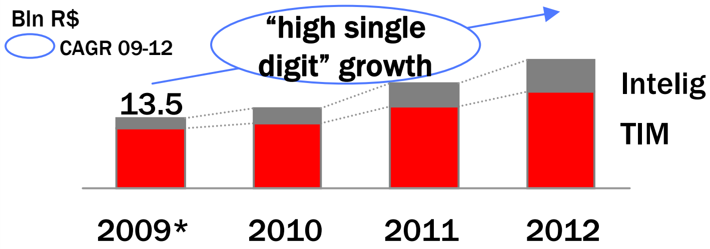
- Intelig
- Community based offering

Personnel and G&A costs

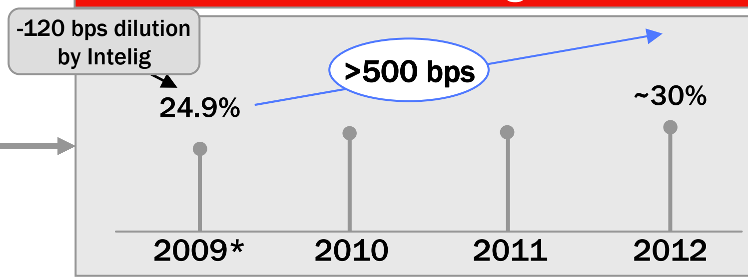


- Efficiency

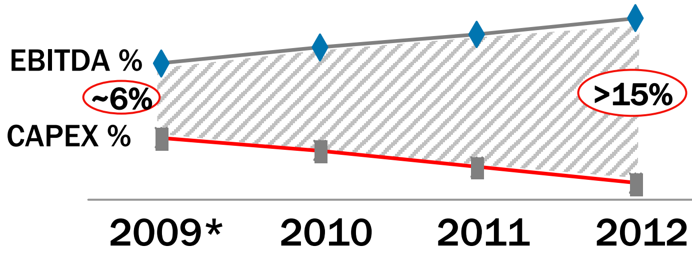
Net Service Revenues



EBITDA Margin



EBITDA% – CAPEX%

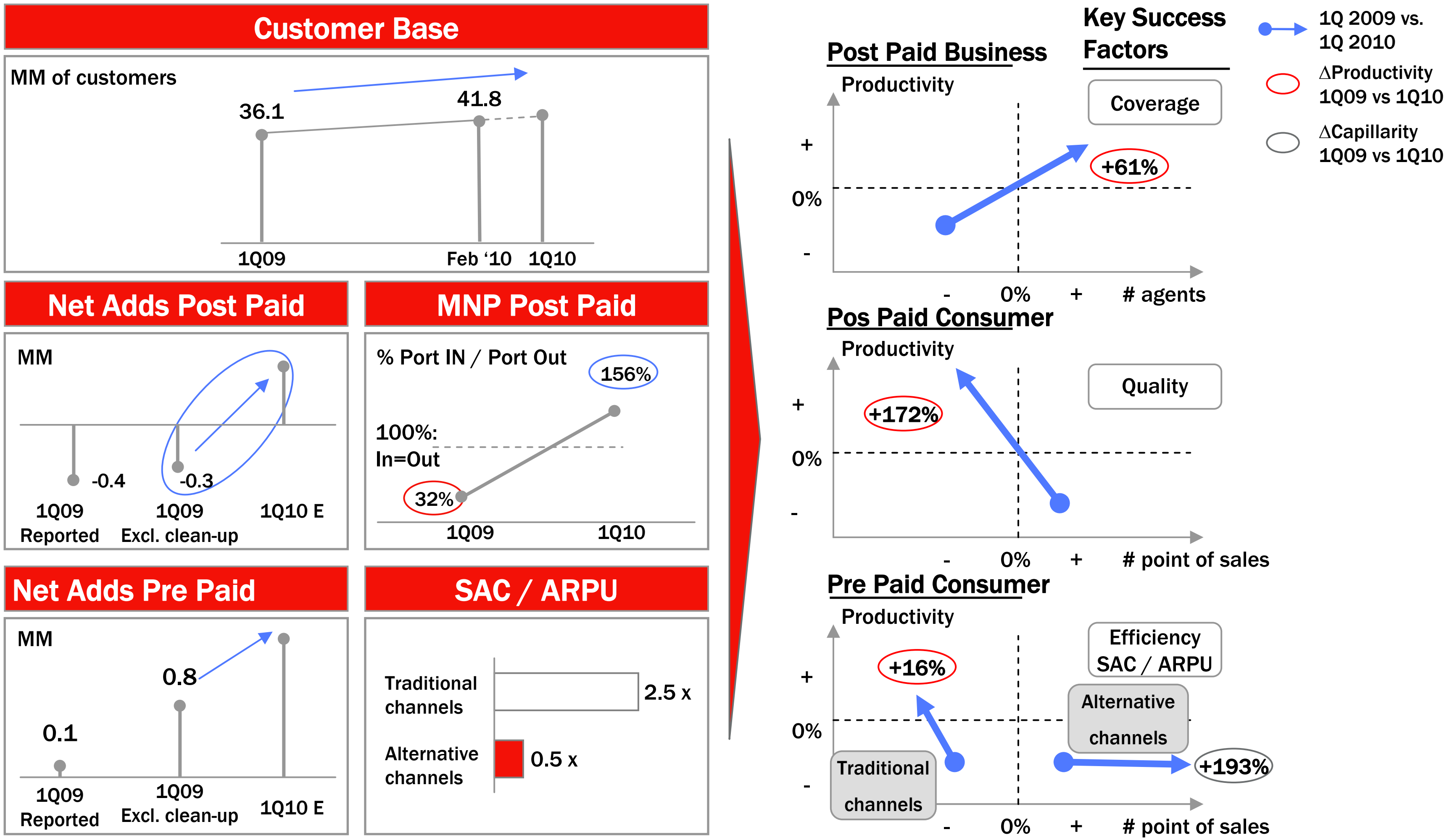


*: 2009 Proforma Intelig 12 months ** Including handset cost

Agenda

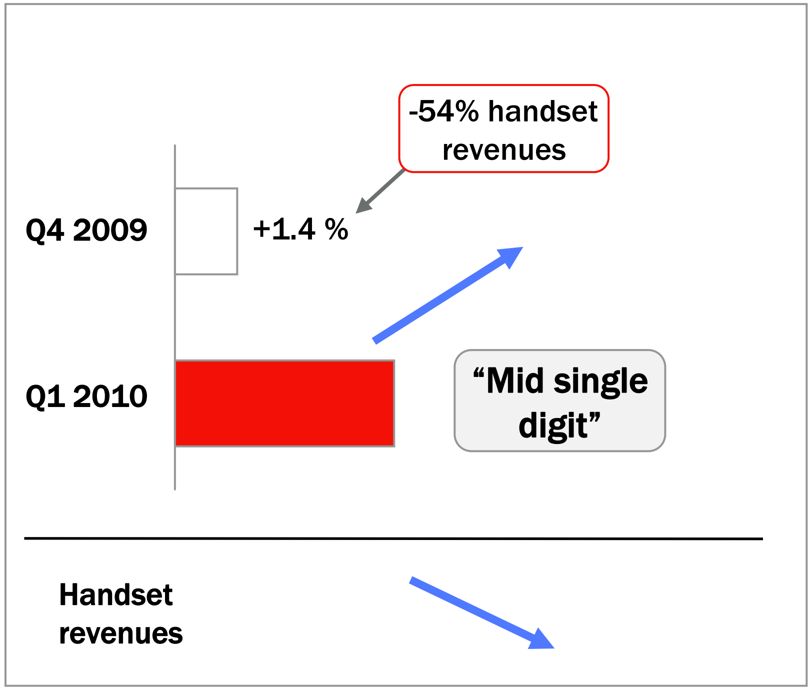
- What we did
  (2009 Repositioning path)
- Where we want to go (Strategy)
- Where we are (Expected Q1 2010)

Sales Force Restructuring Speeds up Customer Base Growth



Visible signs of Company's turnaround: Expected Q1 2010 Results

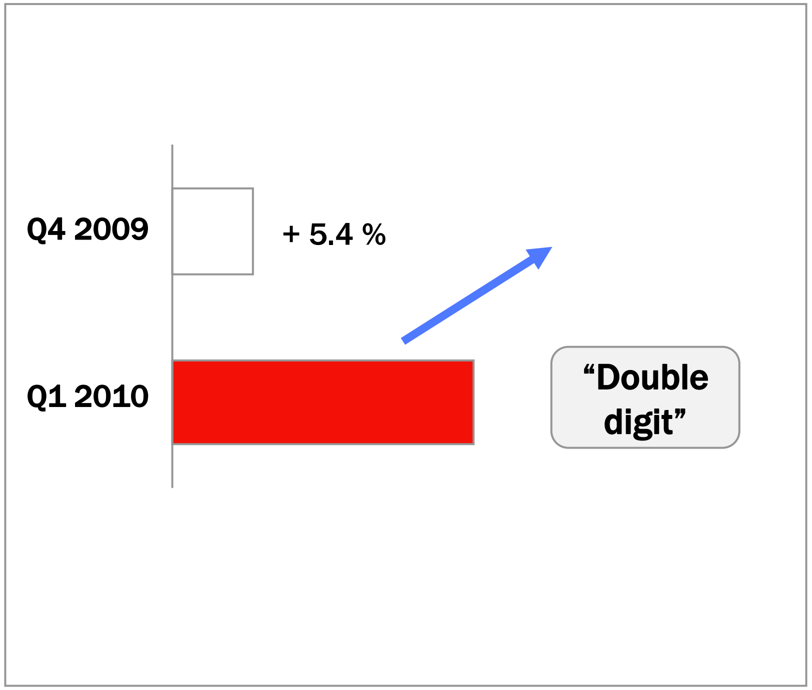
YoY % - Service Revenues



Vs. 2010 Company's Guidance

"On track" ✓

YoY % - EBITDA, organic



Vs. 2010 Company's Guidance

"On track" ✓

TIM Brasil - Take Aways

2009 Path

- **Repositioning** of the Company based on quality, innovation and efficiency
- Able to grow QoQ in 2009, confirming **#2 position** in Brazilian mobile market

Strategy (2010-2012)

- Ready to grab market **growth opportunities**:
  - **Voice**: further penetration and FMS
  - Mobile **Data**, as of H2 2010
  - **Convergence** / Intelig "Option value"
- **Fast roll-out** of solid network infrastructure
- **Efficiency** to combine **top line** growth with improving **profitability** and **cash**

Visible signs of turnaround

- Q1 2010 confirming **YoY growth acceleration** (Revenues and EBITDA)