

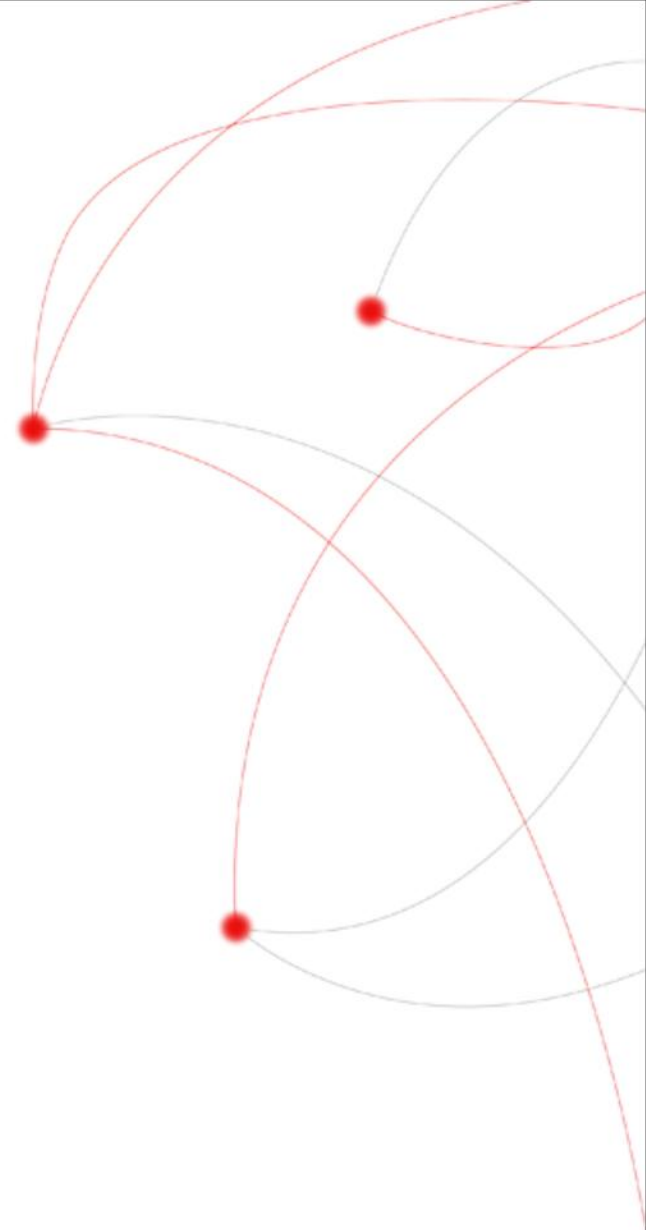
TELECOM ITALIA GROUP

1Q 2010 Results

Milan, May 6th, 2010

Telecom Italia 1Q 2010 Results

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.

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.

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Agenda

- ▶ **TI Group Main Achievements**

- ▶ **Operating Performance**
 - ▶ Domestic Business
 - ▶ TIM Brasil

- ▶ **Financial Performance**

- ▶ **Appendix**

TI Group 1Q10 Key Financial Achievements

Focus on
Core
Markets:
Domestic
&
Brazil

Financial
Discipline

Improved Group Revenues Trend

Reported -0.7% YoY; Organic -4.7% YoY

Group EBITDA Stabilization:

Reported +3.2% YoY, Organic +0.1% YoY

Continued Cash Cost Control:

Domestic Cash Cost -0.4BN€, -10.5% YoY

Strong Net Income Growth:

+30.7% YoY

Relevant Contribution from Brazil:

Services Revenues +6.2% YoY,
Ebitda +23.2% YoY, Ebitda Margin 27.4% (+4.4 p.p. YoY)

Reduced Adjusted Net Debt:

-1.2BN€ YoY (33.3BN€)

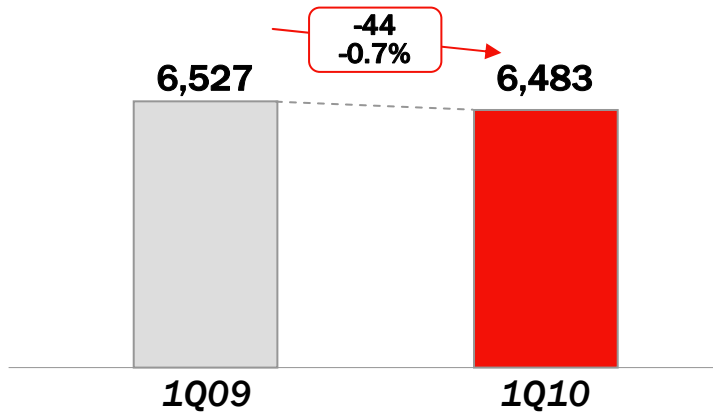
Sound Liquidity Margin

13.75 BN€

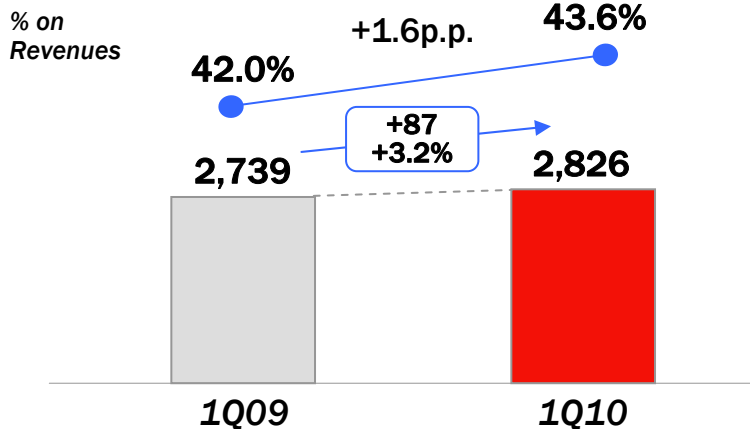
Improved TI Group Profitability: Reported & Organic Results

Euro mln, %

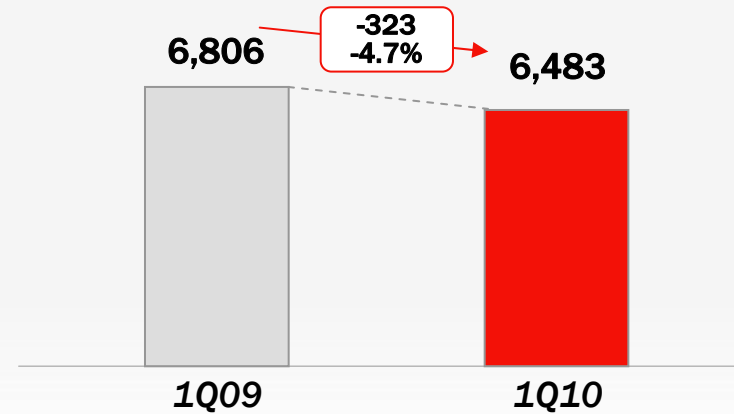
Revenues Reported



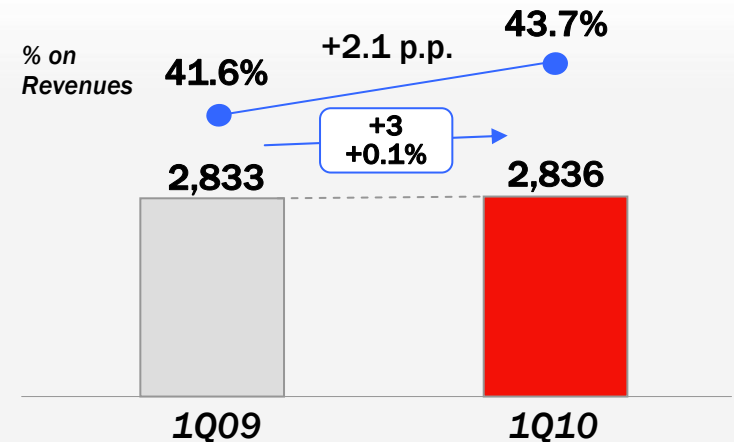
EBITDA Reported



Revenues Organic



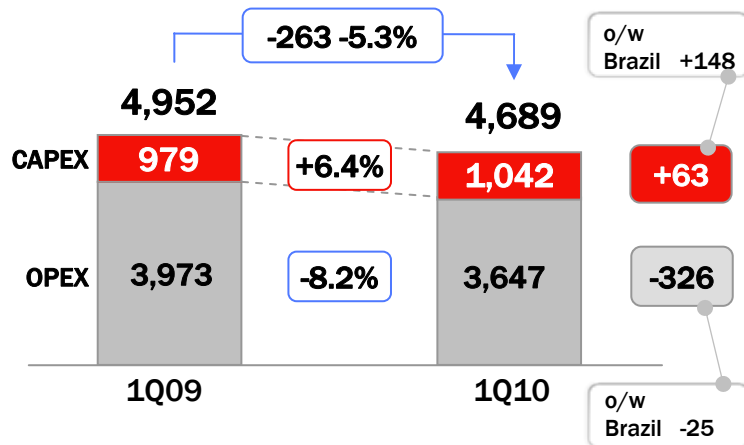
EBITDA Organic



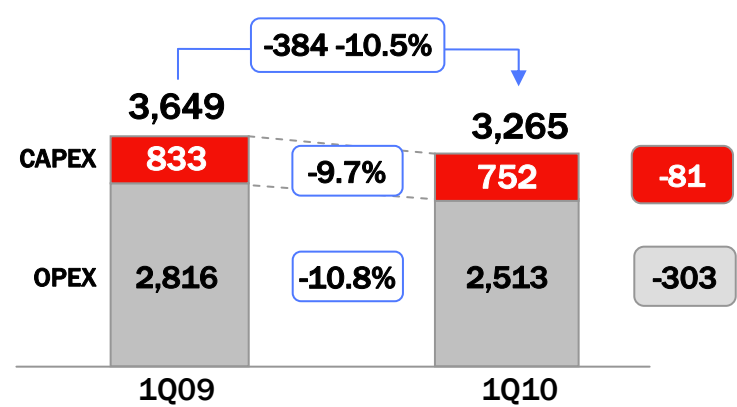
Group Cash Cost Control to improve Cash Generation

Euro mln, Organic data, %

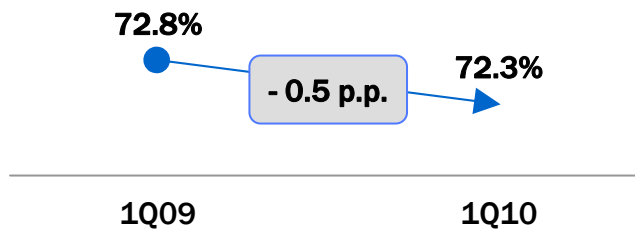
TI Group Cash Cost



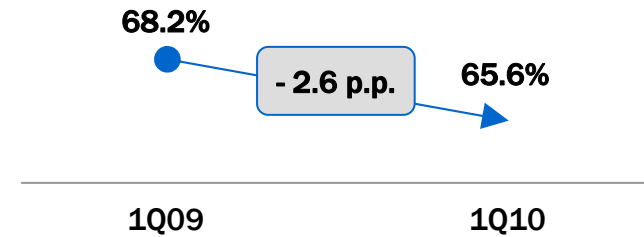
Domestic Cash Cost



TI Group Cash Cost on Revenues (%)



Domestic Cash Cost on Revenues (%)

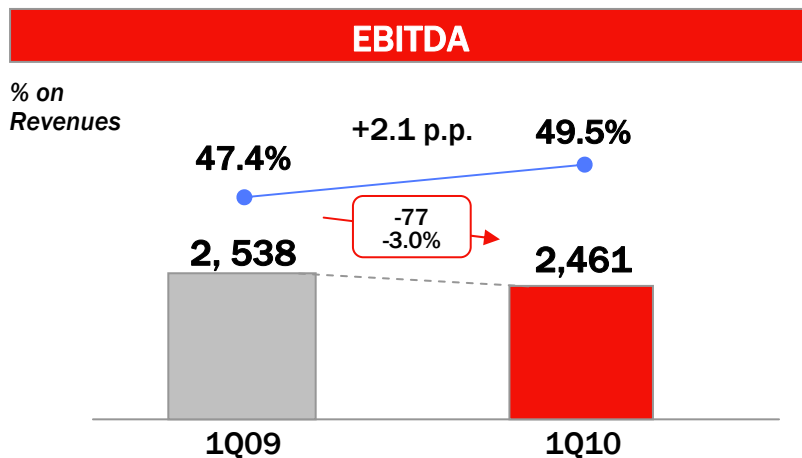
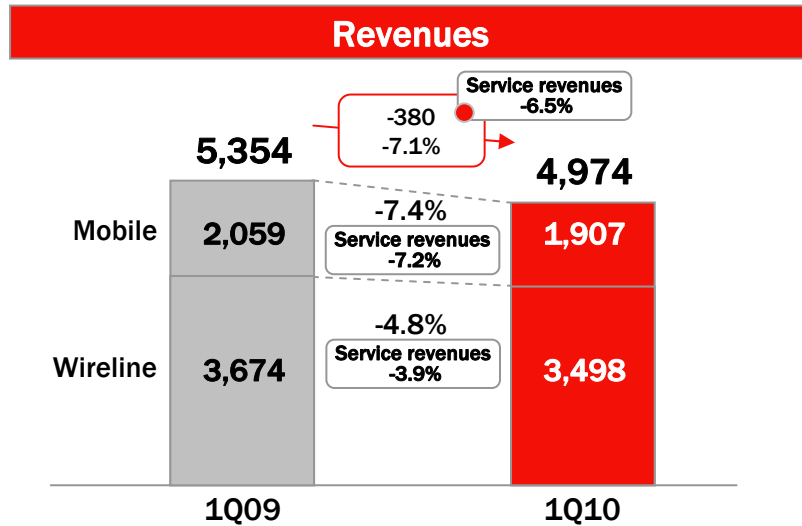


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Domestic – Signs of Mobile Recovery

Euro mln, Organic data, %



Key Highlights

► **Fixed business:**

- Broadband: strong pick-up of “Tutto Compreso” offering
- Good value for money perceived resulting into significant line losses reduction
- ICT slowdown driven by strong reduction in equipment sales and macroeconomic pressure on top customers

► **Mobile business:**

- Calling customer base recovery
- Improved services revenues trend
- Back to positive VAS revenues growth with strong contribution coming from mobile Broadband

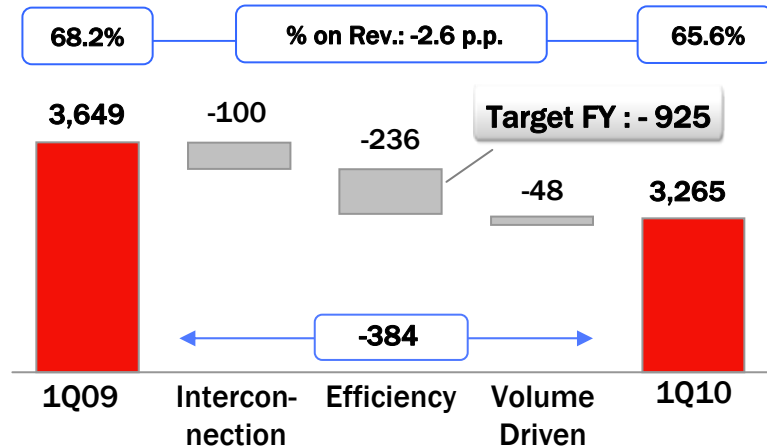
Self-financing domestic turn-around while defending profitability

- Strong reduction of interconnection (push on communities) and handset costs
- G&A and personnel cost: continuous progress towards a lean organization
- “Investment” in acquisition and advertising cost to support top line

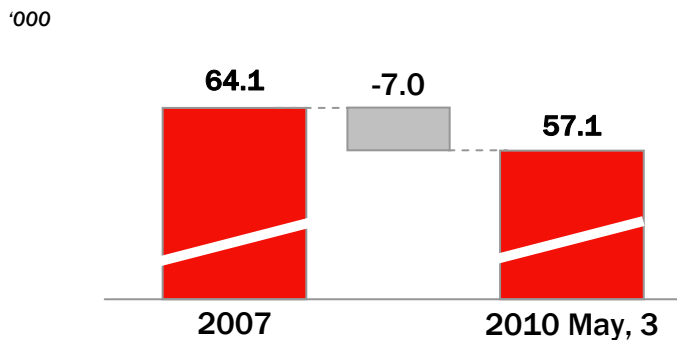
Domestic Main Achievements 2010 – Progress on Cash Cost Rationalization

Euro mln, Organic data, %

Cash Cost



Headcount Reduction*



(*) TLC Italy perimeter

Focus on Efficiency Program

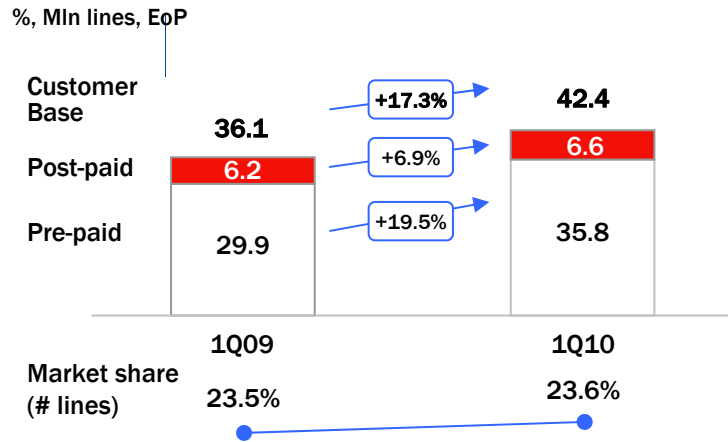
	Target FY 10	1Q10
Total	925	236
	% on Target: 26%	
1 Network Operations	111	77
2 Mktg & Distribution	207	9
3 Organization & Support process	104	63
4 Information Technology	375	-30
5 Customer Operations	29	26
6 Delivery & Assurance	40	52
7 Buildings and Energy Mng	59	39

Agenda

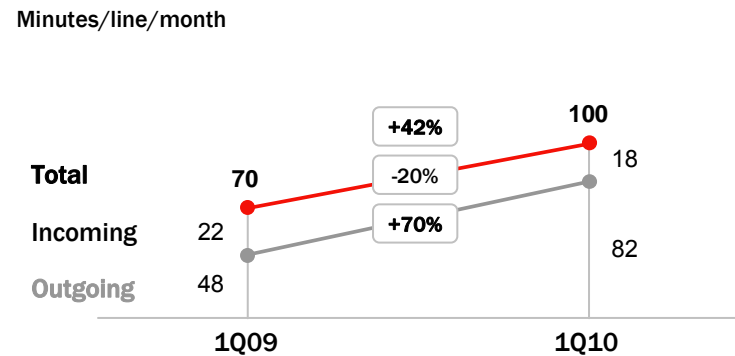
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TIM Brasil: Solid Commercial KPI's

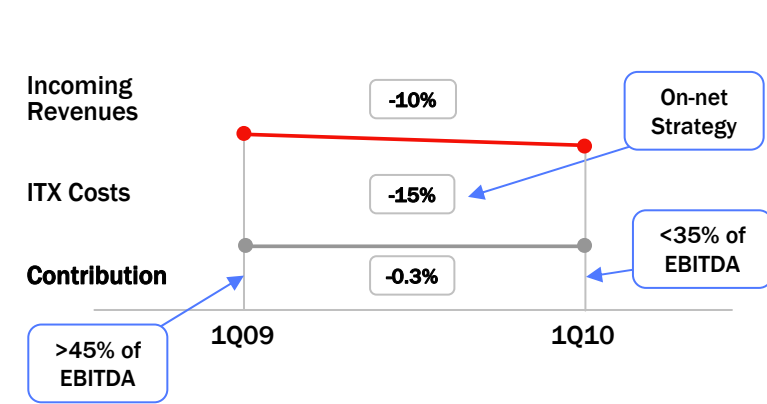
Customer Base



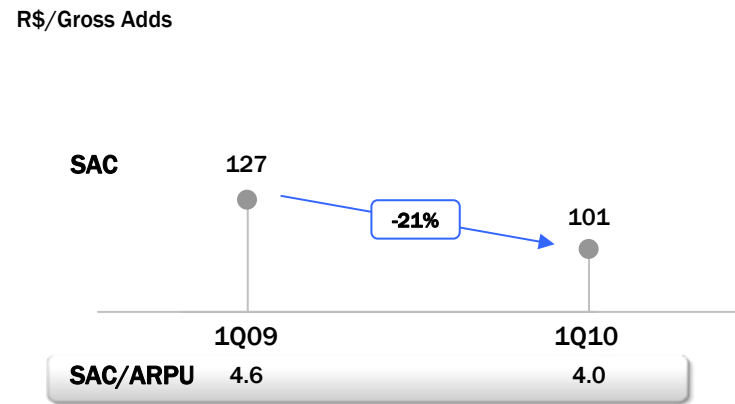
MOU



Lower MTR Exposure

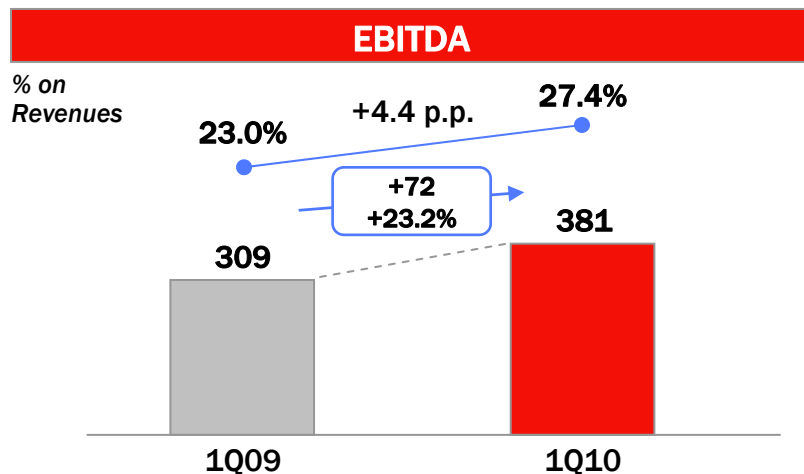
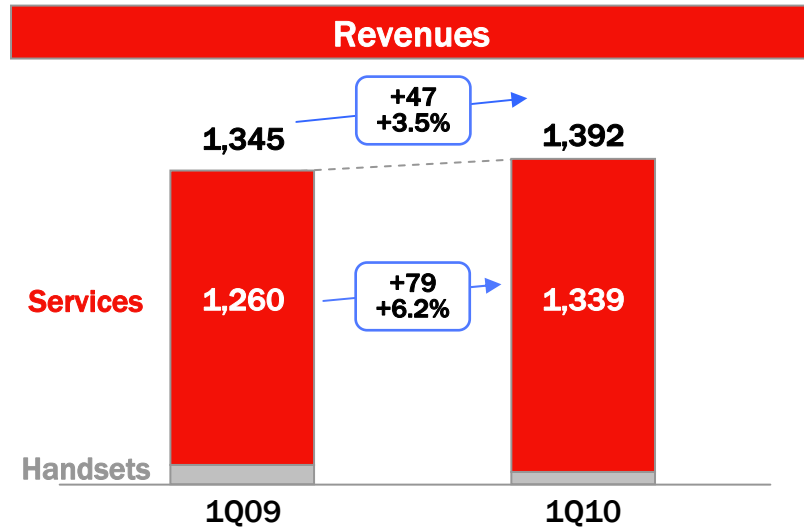


SAC and SAC/ARPU



TIM Brasil: Organic Main Results

Euro mln, Organic data, %



Key Highlights

- ▶ Strong positive impact on Top Line of TIM Brasil “breaking the rule” approach
 - ▶ Significant growth of traffic volume turning into positive voice revenues performance
 - ▶ Double Digit growth in VAS revenues (+12% YoY in R\$)
 - ▶ Massive reduction of handsets sales consistent with Chip only strategy.

- ▶ Self financing TIM Brasil turnaround and boosting Ebitda margin by:
 - ▶ Better revenues mix
 - ▶ Lower bad debt and reduced subsidy impact thanks to Chip only approach
 - ▶ Positive impact on industrial and ITX costs from Intelig and communities push
 - ▶ Efficiencies in Personnel and G&A

TIM Brasil: Take Aways

A Better Company

- ▶ Focus on fundamentals: Quality and Innovation
- ▶ Improved sales force productivity: +17% YoY Customer Base and reverted Net Adds trend in Post Paid (voice), with lower SAC
- ▶ Re-shaped traffic to core business, with better contribution and lower MTR exposure

Economics & Financials

- ▶ Services Revenues: +6.2% YoY (TIM only: +5.3%)
- ▶ EBITDA: +23.2% YoY
- ▶ EBITDA margin: 27.4%, +440 bps YoY
- ▶ Reverted bottom line results: positive net income in Q1
- ▶ Better cash flow generation: +487 mln R\$ vs. YA
- ▶ Consistent debt reduction: -530 mln R\$ vs. YA

Looking Forward

2010 priorities to complete Company repositioning:

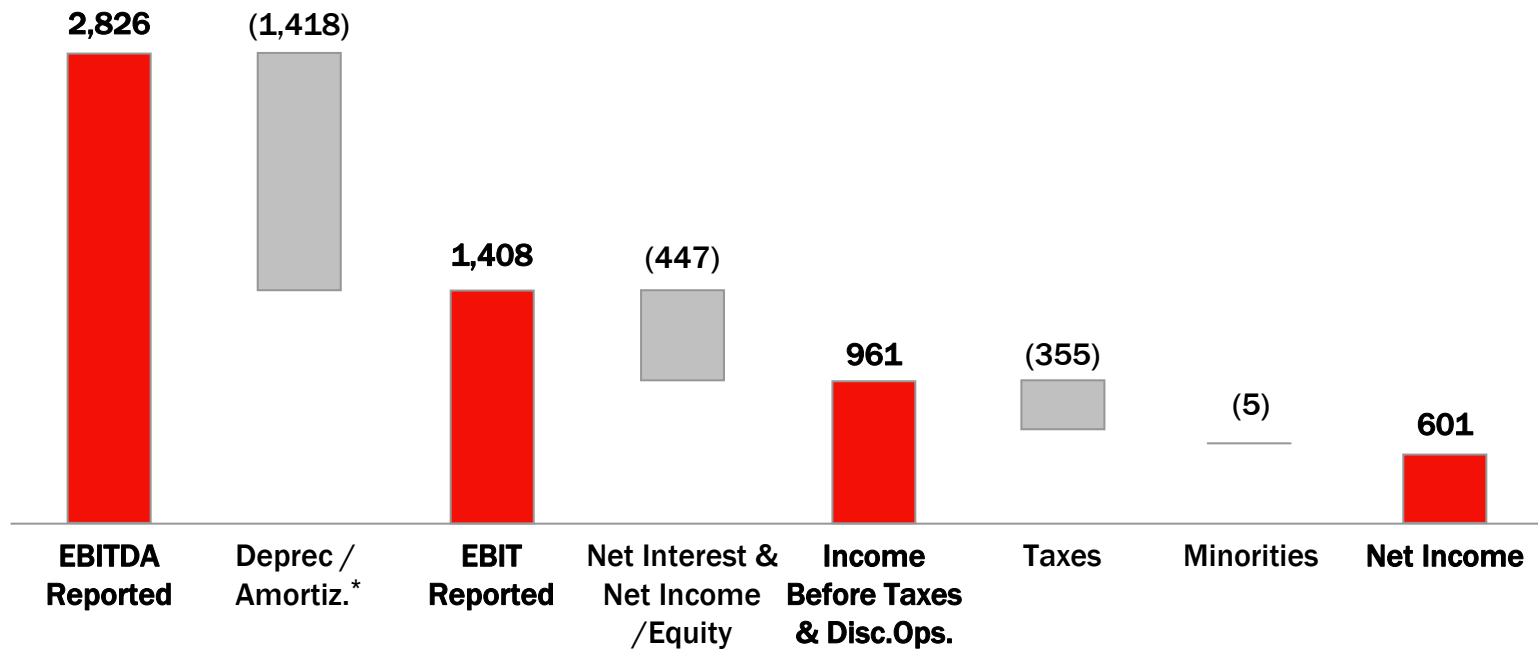
- ▶ Push on Fixed Mobile Substitution
- ▶ Enhance Data business in H2
- ▶ Intelig network integration and business re-launch: a new turnaround
- ▶ Fast roll-out of 3G Network Coverage and 2G Capacity

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Net Income Evolution

Euro mln, Reported Data

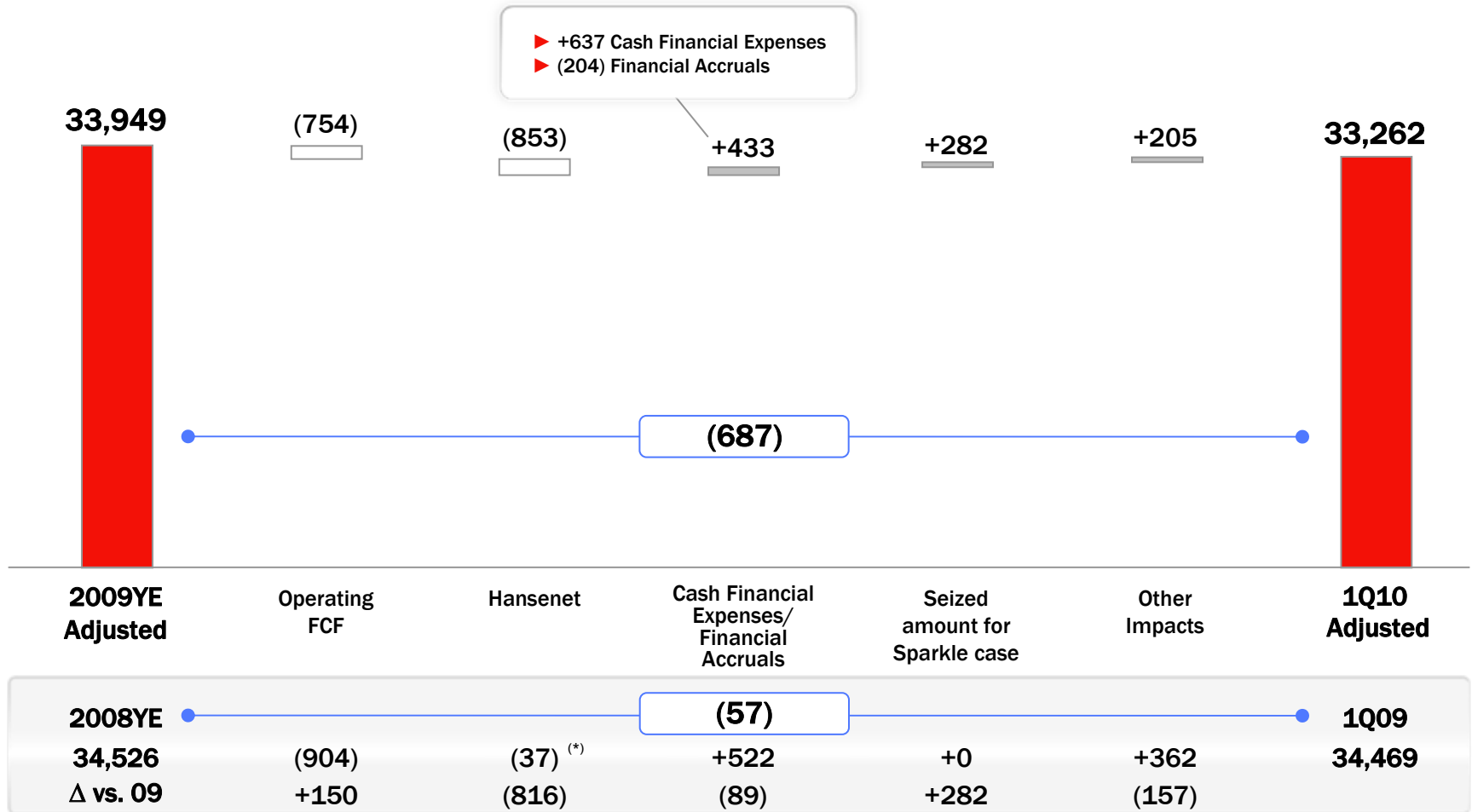


Δ vs. 1Q 2009	+3.2%	+2.4%	+4.0%	-20.6%	+21.5%	+4.1%	n.m.	+30.7%
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* Including gains/losses of non current assets realization

Net Debt Dynamics

Euro mln, Reported Data



(*) Disposal of minor assets (2009)

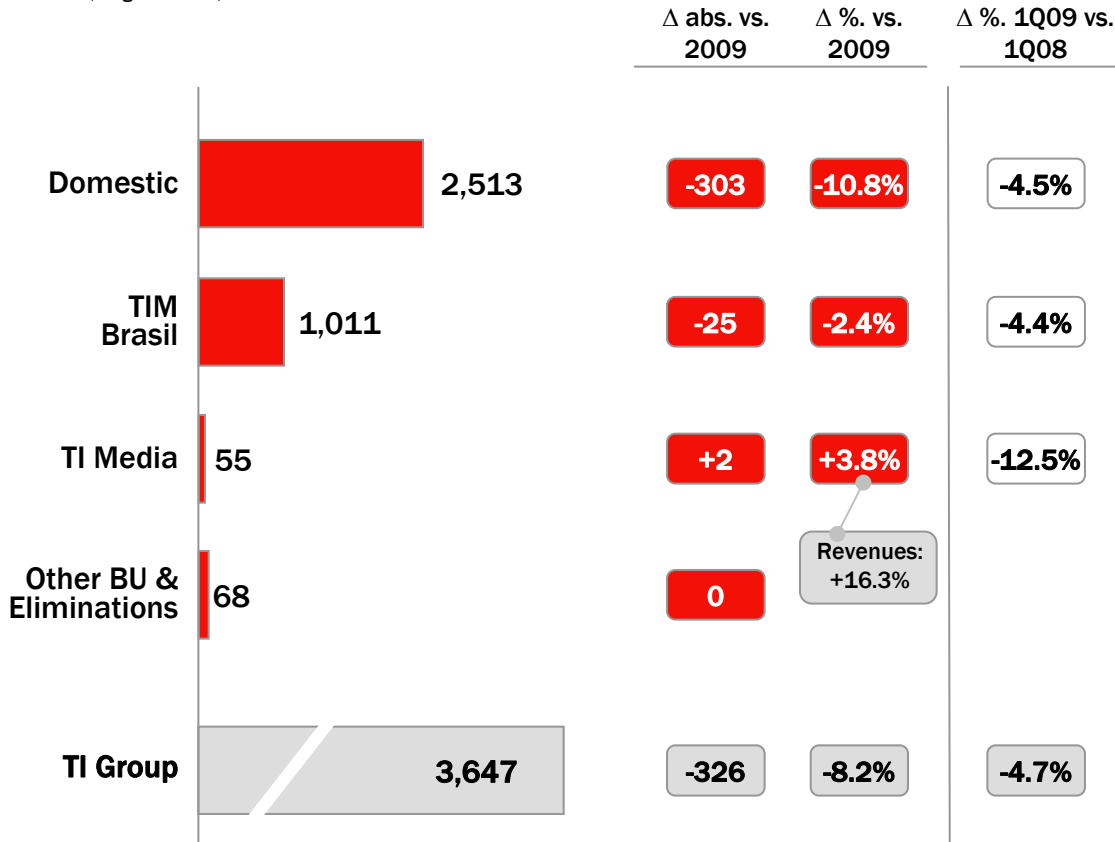
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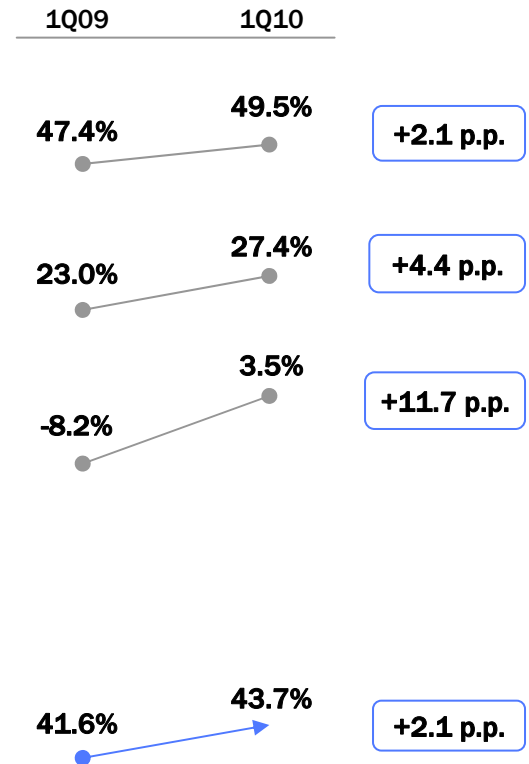
Cost Control: a Group-Wide Commitment

Organic OPEX 2010

Euro mln, Organic data, %

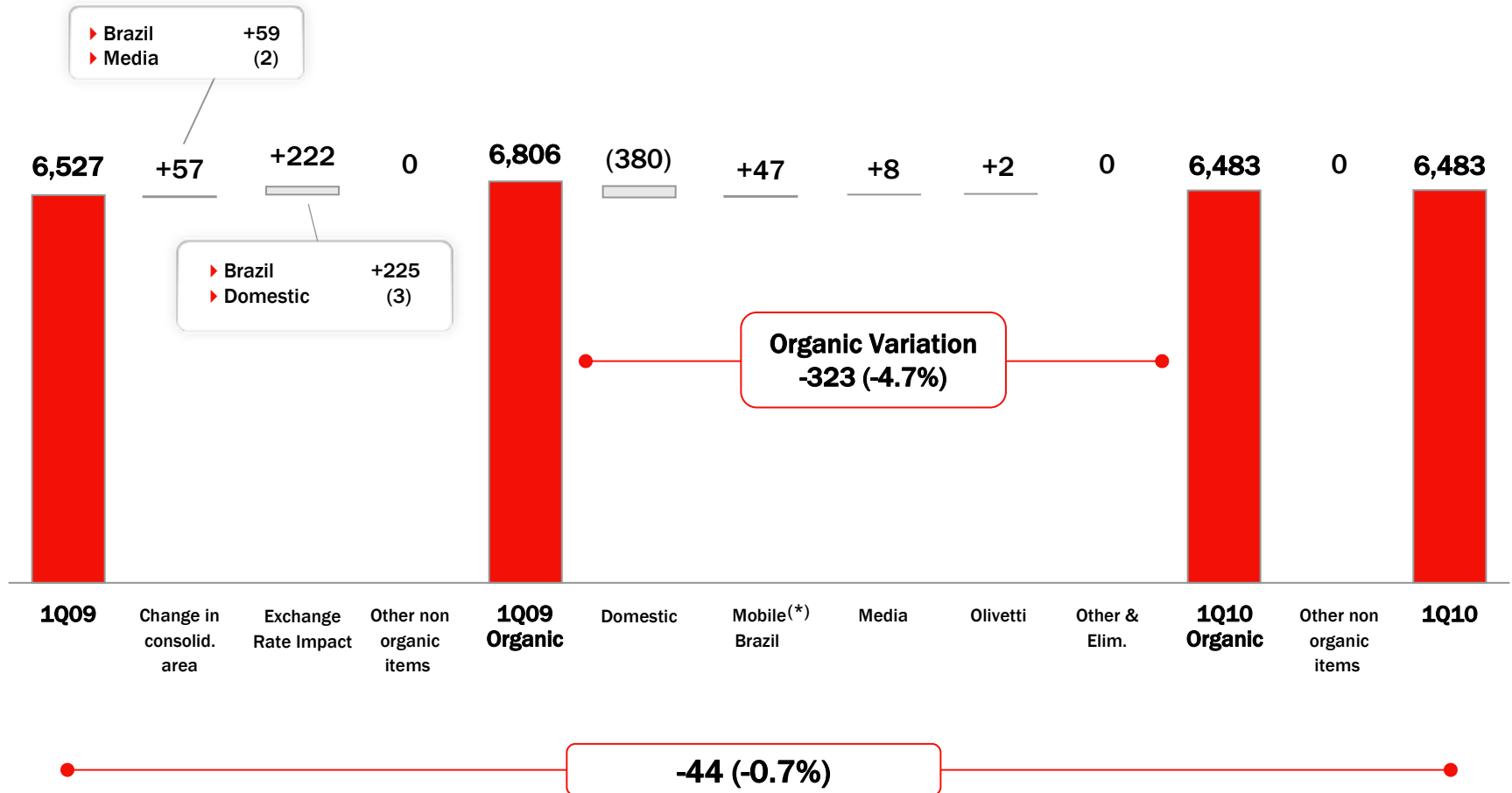


EBITDA Margin



Revenues Evolution

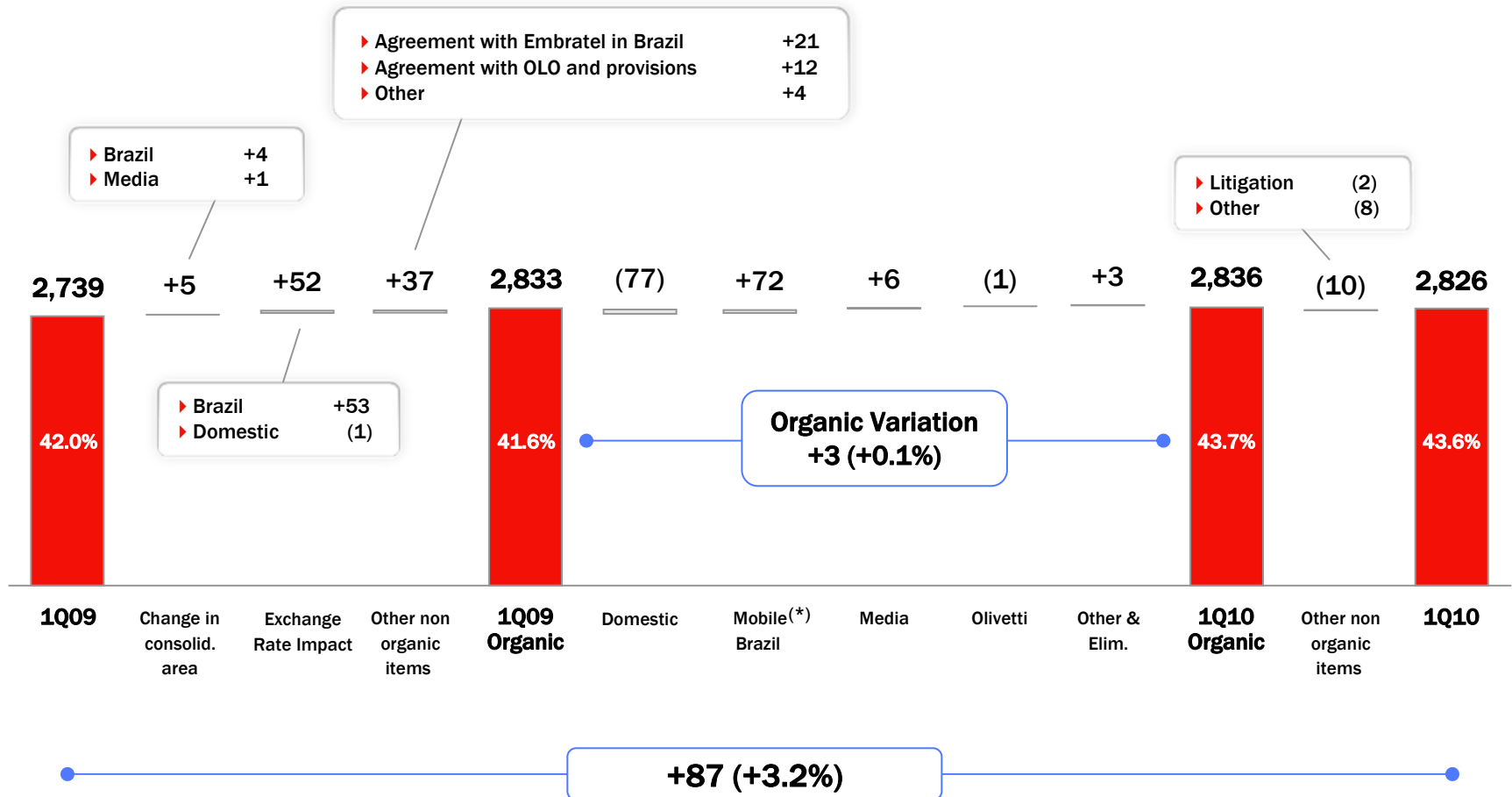
Euro mln



(*) Exchange rate (Real/Euro): 2.49 in 2010, 3.02 in 2009

EBITDA Evolution

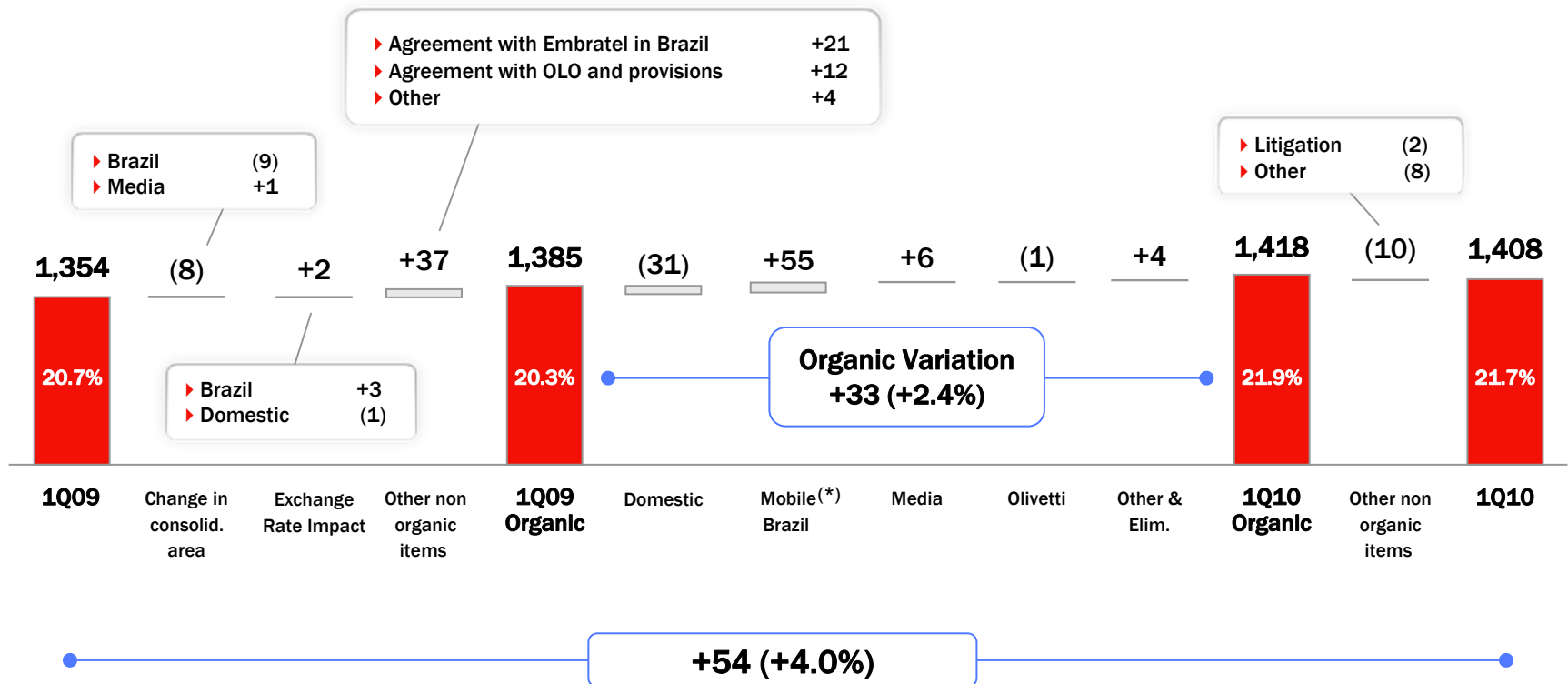
Euro mln



(*) Exchange rate (Real/Euro): 2.49 in 2010, 3.02 in 2009

EBIT Evolution

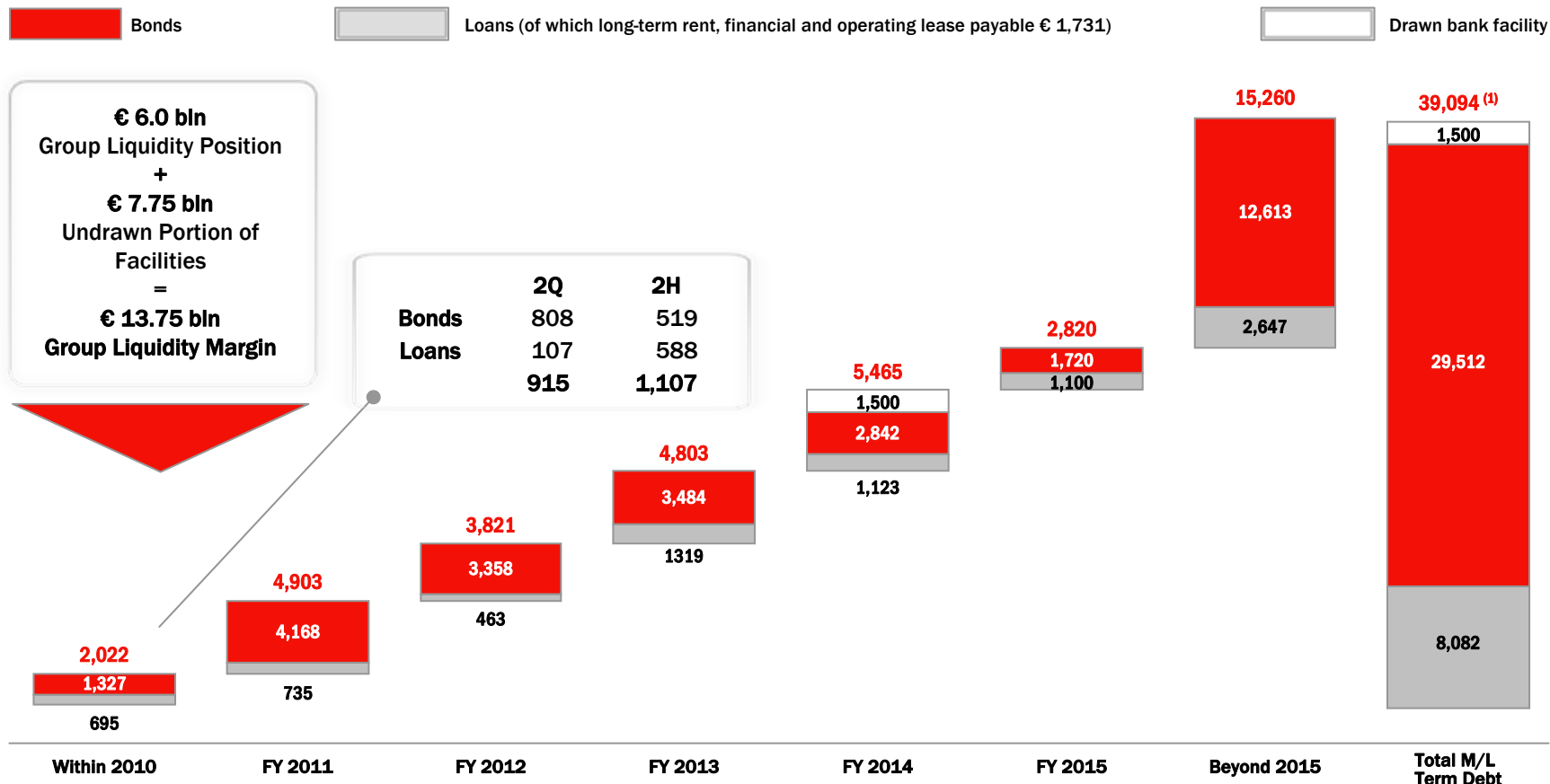
Euro mln



(*) Exchange rate (Real/Euro): 2.49 in 2010, 3.02 in 2009

Even and Back-Loaded Maturities

Euro mln



⁽¹⁾ € 39,094 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 678 of which € -1,615 mln due to interest rates impact on derivatives valuation) and current liabilities (€ 635 mln), the gross debt figure of € 40,406 mln is reached.

N.B. Debt maturities are net of € 180 mln (face value) of repurchased own bonds (TI Spa € 850 mln 5.25 % Notes due 2055), € 77 mln (face value) of repurchased own bonds (TI Spa € 750 mln 4.75 % Notes due 2014), € 54 mln (face value) of repurchased own bonds (TI Spa € 850 mln Notes due 2010), € 20 mln (face value) of repurchased own bonds (TIF € 139 mln 4.629 % Notes due 2010), € 35 mln (face value) of repurchased own bonds (TIF € 1.050 mln 7.75 % Notes due 2033) and € 91 mln (face value) of repurchased own bonds (TIF € 2.000 mln 7.50 % Notes due 2011).

TI Group 1Q10 Results – P&L

Euro mln

	2010	2009	Δ Abs.	Δ %
REVENUES	6.483	6.527	(44)	(0,7)
Other Operating Income	53	54	(1)	(1,9)
TOTAL REVENUES & OTHER INCOME	6.536	6.581	(45)	(0,7)
Total Purchases of materials and external services	(2.498)	(2.635)	137	(5,2)
Personnel	(938)	(966)	28	(2,9)
of which payroll	(931)	(950)	19	(2,0)
Other operating costs	(335)	(348)	13	(3,7)
Capitalized Cost and Others	61	107	(46)	(43,0)
EBITDA	2.826	2.739	87	3,2
<i>% on Revenues</i>	<i>43,6%</i>	<i>42,0%</i>		
Depreciation & Amortization	(1.412)	(1.387)	(25)	1,8
Writedowns and revaluations of non current assets	(5)	0	(5)	-
Gains/losses of non current assets realization	(1)	2	(3)	-
EBIT	1.408	1.354	54	4,0
<i>% on Revenues</i>	<i>21,7%</i>	<i>20,7%</i>		
Income (loss) equity invest. valued equity method	25	14	11	
Other income (expenses) from investments	2	6	(4)	
Net Financial Income / (Expenses)	(474)	(583)	109	
Income before Taxes & Disc. Ops.	961	791	170	
<i>% on Revenues</i>	<i>14,8%</i>	<i>12,1%</i>		
Taxes	(355)	(341)	(14)	
Income before Disc. Ops.	606	450	156	
Net income (loss) of assets disposed	0	(9)	9	
Net Income (ante Minorities)	606	441	165	
<i>% on Revenues</i>	<i>9,3%</i>	<i>6,8%</i>		
Minorities	(5)	19	(24)	
Net Income (post Minorities)	601	460	141	
<i>% on Revenues</i>	<i>9,3%</i>	<i>7,0%</i>		

TI Group 1Q10 Organic & Reported Operating Results – Break up by BU

Euro mln

REPORTED RESULTS

REVENUES	2010	2009	Δ Abs.	Δ %
Domestic	4.974	5.357	-383	(7,1)
Wireline Domestic	3.498	3.677	-179	(4,9)
Tim Domestic	1.907	2.059	-152	(7,4)
Mobile Brasile	1.392	1.061	331	31,2
Media	57	51	6	11,8
Olivetti	73	71	2	2,8
Other Activities	21	22	-1	(4,5)
Elim.	-34	-35	1	
TI Group	6.483	6.527	-44	(0,7)

EBITDA	2010	2009	Δ Abs.	Δ %
Domestic	2.451	2.523	-72	(2,9)
Mobile Brasile	381	231	150	64,9
Media	2	-5	7	-
Olivetti	-10	-9	-1	(11,1)
Other Activities	-2	-1	-1	(100,0)
Elim.	4	0	4	
TI Group	2.826	2.739	87	3,2
EBITDA MARGIN	43,6%	42,0%	1,6 pp	

EBIT	2010	2009	Δ Abs.	Δ %
Domestic	1.366	1.392	-26	(1,9)
Mobile Brasile	65	-5	70	-
Media	-13	-20	7	35,0
Olivetti	-11	-10	-1	(10,0)
Other Activities	-8	-6	-2	(33,3)
Elim.	9	3	6	
TI Group	1.408	1.354	54	4,0
EBIT MARGIN	21,7%	20,7%	1 pp	

ORGANIC RESULTS

REVENUES	2010	2009	Δ Abs.	Δ %
Domestic	4.974	5.354	-380	(7,1)
Wireline Domestic	3.498	3.674	-176	(4,8)
Tim Domestic	1.907	2.059	-152	(7,4)
Mobile Brasile	1.392	1.345	47	3,5
Media	57	49	8	16,3
Olivetti	73	71	2	2,8
Other Activities	21	22	-1	(4,5)
Elim.	-34	-35	1	
TI Group	6.483	6.806	-323	(4,7)

EBITDA	2010	2009	Δ Abs.	Δ %
Domestic	2.461	2.538	-77	(3,0)
Mobile Brasile	381	309	72	23,2
Media	2	-4	6	-
Olivetti	-10	-9	-1	(11,1)
Other Activities	-2	-1	-1	(100,0)
Elim.	4	0	4	
TI Group	2.836	2.833	3	0,1
EBITDA MARGIN	43,7%	41,6%	2,1 pp	

EBIT	2010	2009	Δ Abs.	Δ %
Domestic	1.376	1.407	-31	(2,2)
Mobile Brasile	65	10	55	-
Media	-13	-19	6	31,6
Olivetti	-11	-10	-1	(10,0)
Other Activities	-8	-6	-2	(33,3)
Elim.	9	3	6	
TI Group	1.418	1.385	33	2,4
EBIT MARGIN	21,9%	20,3%	1,6 pp	