Telecom Italia Conference Call

2010 Results & Plan Update

February 25th, 2011

Telecom Italia
FY10 Results & Plan Update

FRANCO BERNABE’

Safe Harbour

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It should also be noted that starting from the year 2010, Telecom Italia reclassified some taxes paid in Brazil of non-material amount, previously included in "Other operating expenses", in reduction of "Revenues" and "Other income" in order to ensure a better comparability and intelligibility of the financial information.

Agenda

- TI Group 2010 Results
- Telecom Italia Plan Update
  - Italy
  - Brazil
  - Argentina

TI Group FY10 Key Financial Achievements

Focus on Core Markets: Domestic & Brazil

Operating Free Cash Flow: 6.2 bln €
(6.6 excluding TIS Settlement, +0.3 bln € YoY)

Organic Group Ebitda: 11.8 bln € (+0.1% YoY)

Organic Domestic Ebitda: 9.8 bln € (-2.9% YoY)
Organic Ebitda Margin: 48.7% (+2.3 p.p. YoY)

TIM Brasil Ebitda: 1.8 bln € (+16.6% YoY)
Ebitda Margin: 29.1% (+2.9 p.p. YoY)

Group Net Income: 3.1 bln €
(+97% YoY, +18.4% YoY on a normalized basis)

Financial Discipline

NFP Adj.: 31.5 bln € at YE10 (-2.5 bln € vs YE09)

Average Cost of Debt YE10: 5.2% (vs 5.4% YE09)

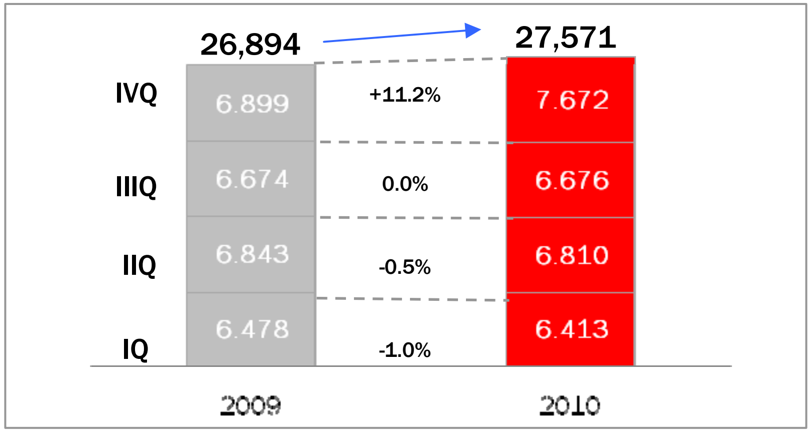
2010 DPS
Ord.: 5.8 €/cents
Sav.: 6.9 €/cents

Telecom Argentina results are included only in the 4Q 2010. Organic comparison considers Telecom Argentina in 4Q09

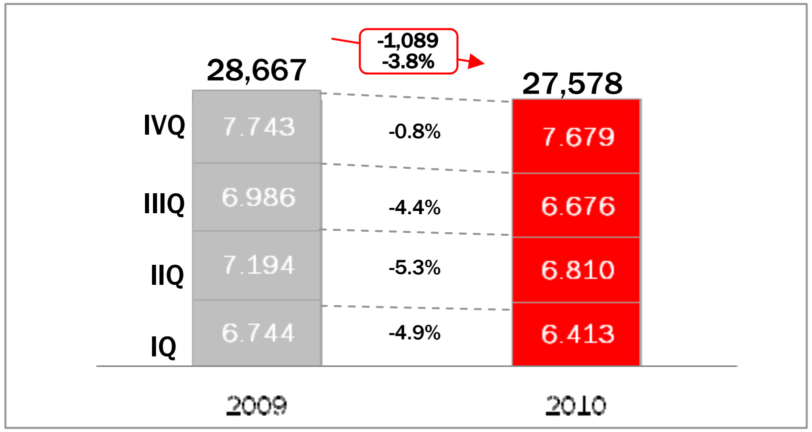
TI Group: Revenues & Ebitda

Euro mln, %

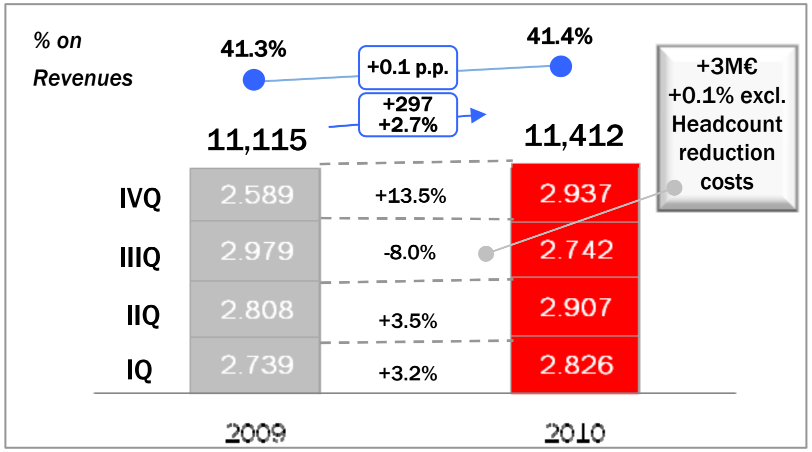
Reported Revenues



Organic Revenues

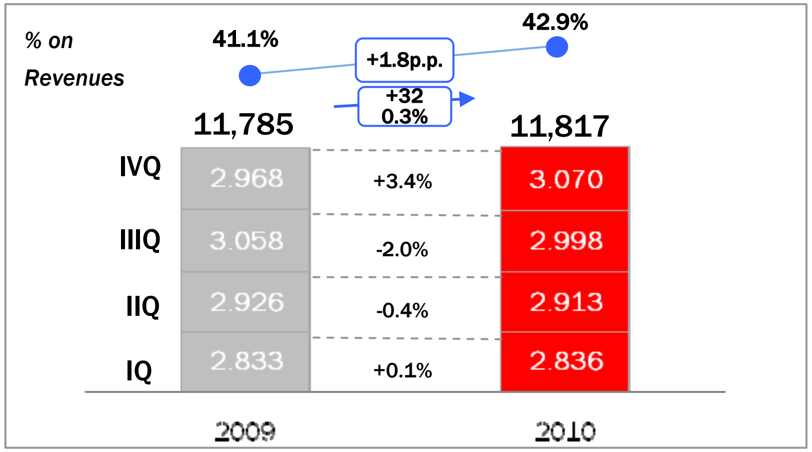


Reported EBITDA



Telecom Argentina Results are included only in the 4Q 2010 consolidated results

Organic EBITDA

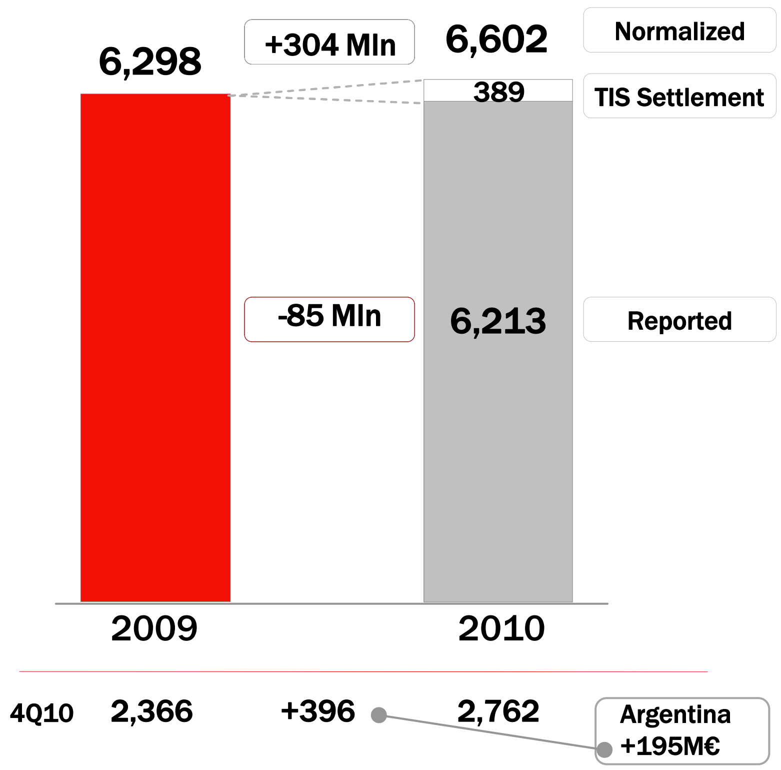


Telecom Argentina results are included in the 4Q2010 and for comparison purpose, in 4Q 2009 consolidated results (proforma unadited at the same Exchange Rate).

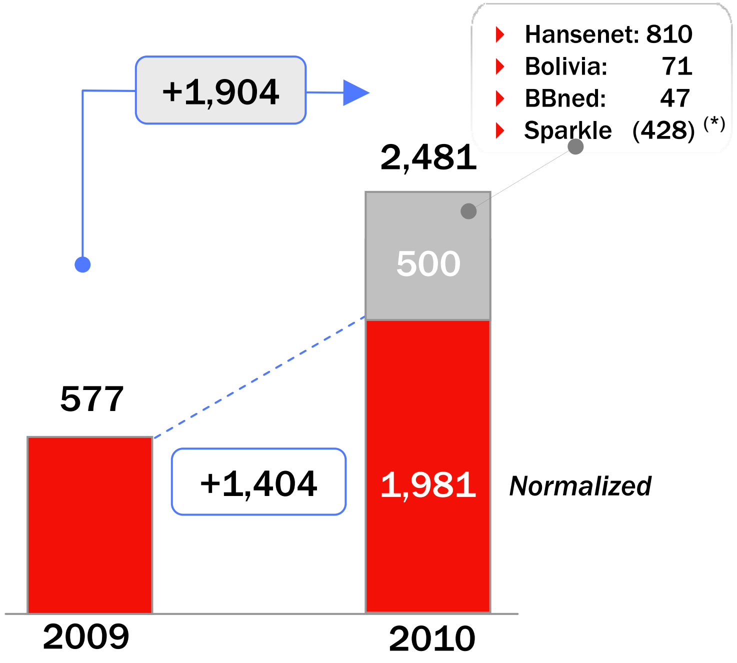
Strong Free Cash Flow Generation

Euro mln, Reported Data

Operating Free Cash Flow



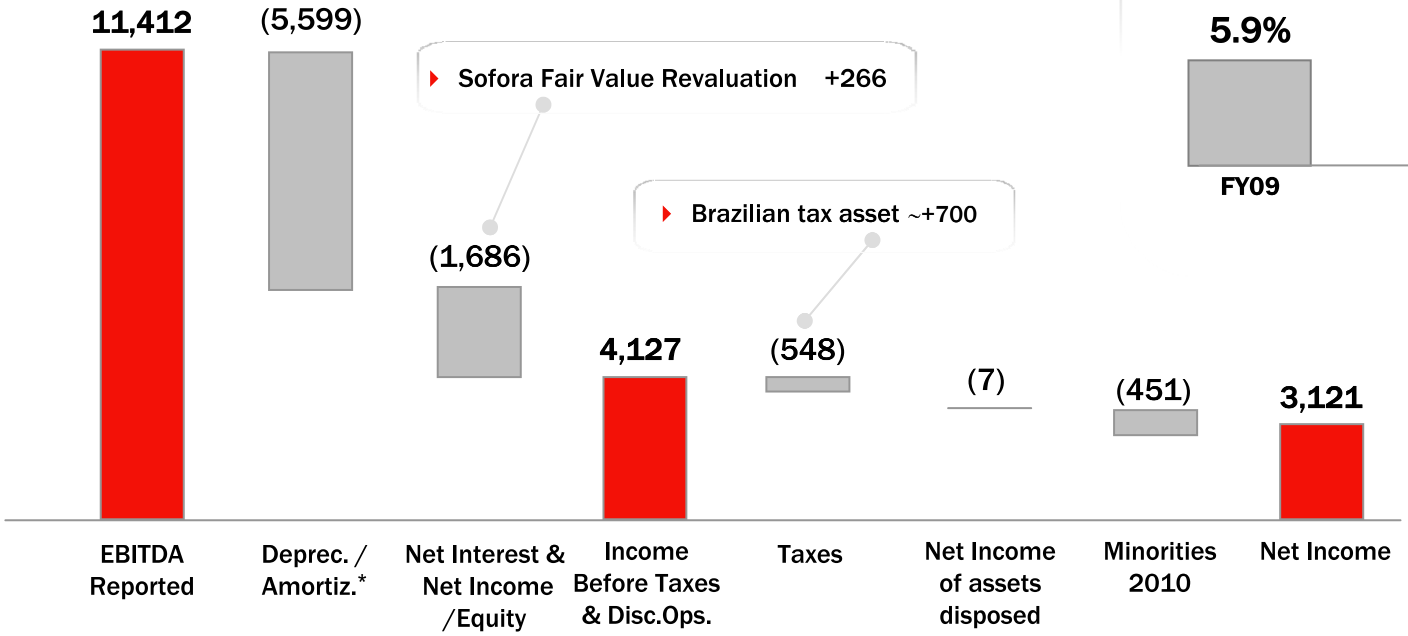
Net Cash Flow



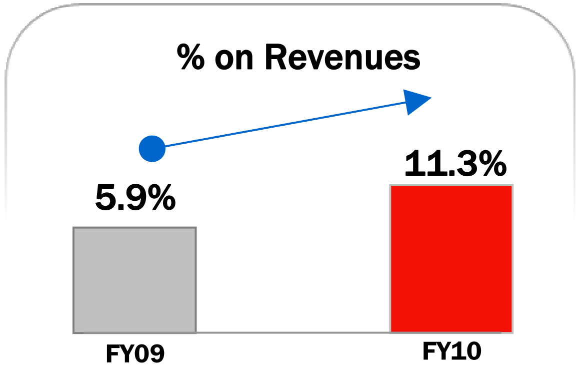
(*) 418M€ cash out +10M€ not released funds

Net Income Evolution

Euro mln; reported data



- Sofora Fair Value Revaluation +266
- Brazilian tax asset ~+700



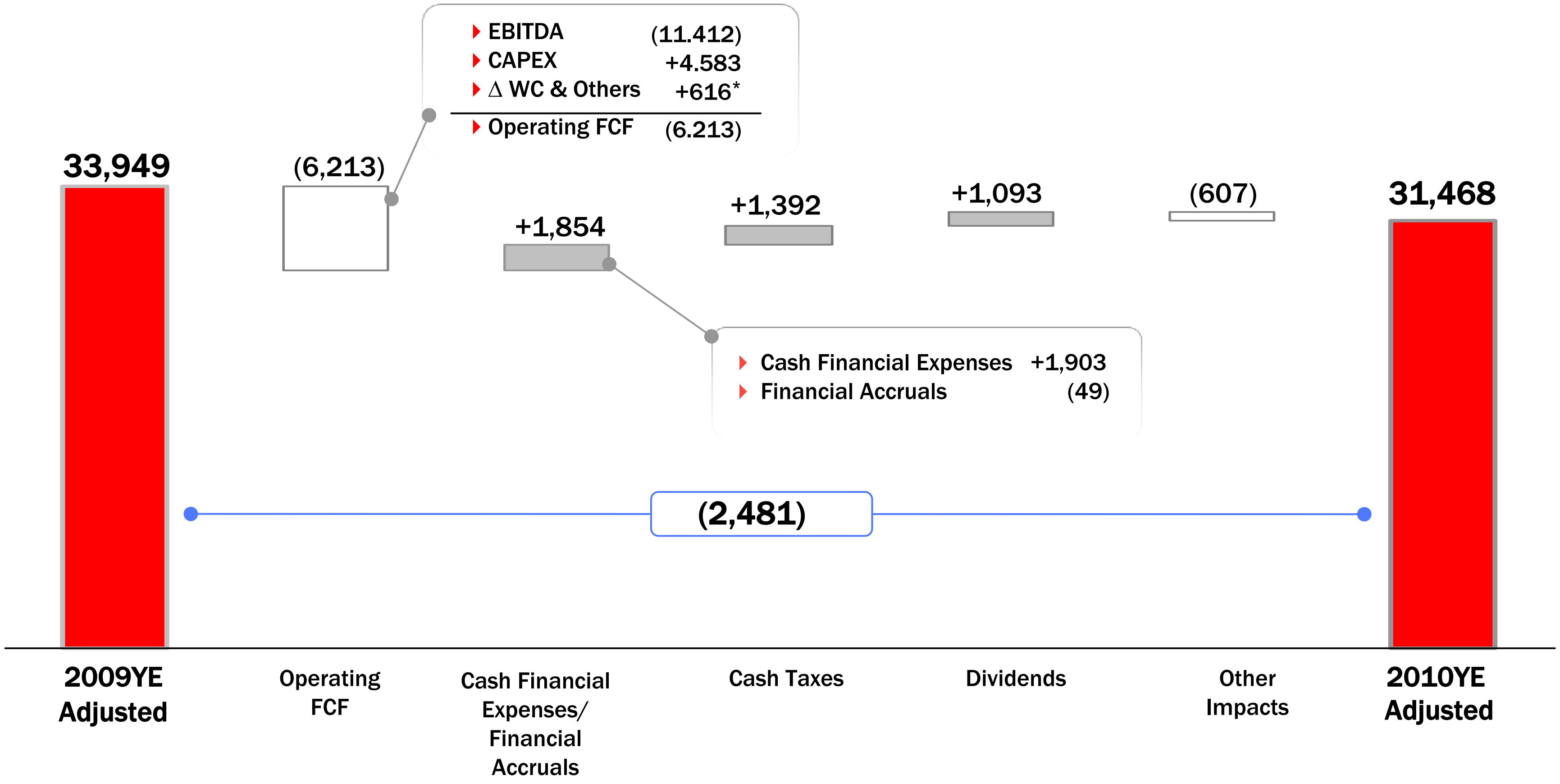
Δ vs. FY 2009	**+2.7%**	-0.4%	-21.7%	**+23.6%**	-51.1%	n.m.	n.m.	**+97.4%**

+18.4% on a normalized basis (2010 headcount reduction costs, Sofora FV, Brazilian Tax Asset and other non recurring impacts; 2009 HNS GW writedown and other non recurring impacts)

* Including gains/losses of non current assets realization

Net Debt Dynamics

Euro mln, Reported Data



EBITDA	(11.412)
CAPEX	+4.583
∆ WC & Others	+616*
Operating FCF	(6.213)

Cash Financial Expenses	+1,903
Financial Accruals	(49)

2008YE			(577)			1Q09
34,526	(6,298)	+2,019	+2,301	+1,050	+351	33,949
∆ vs. 09	+85	(165)	(909)	+43	(958)	

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* Including TIS Settlement

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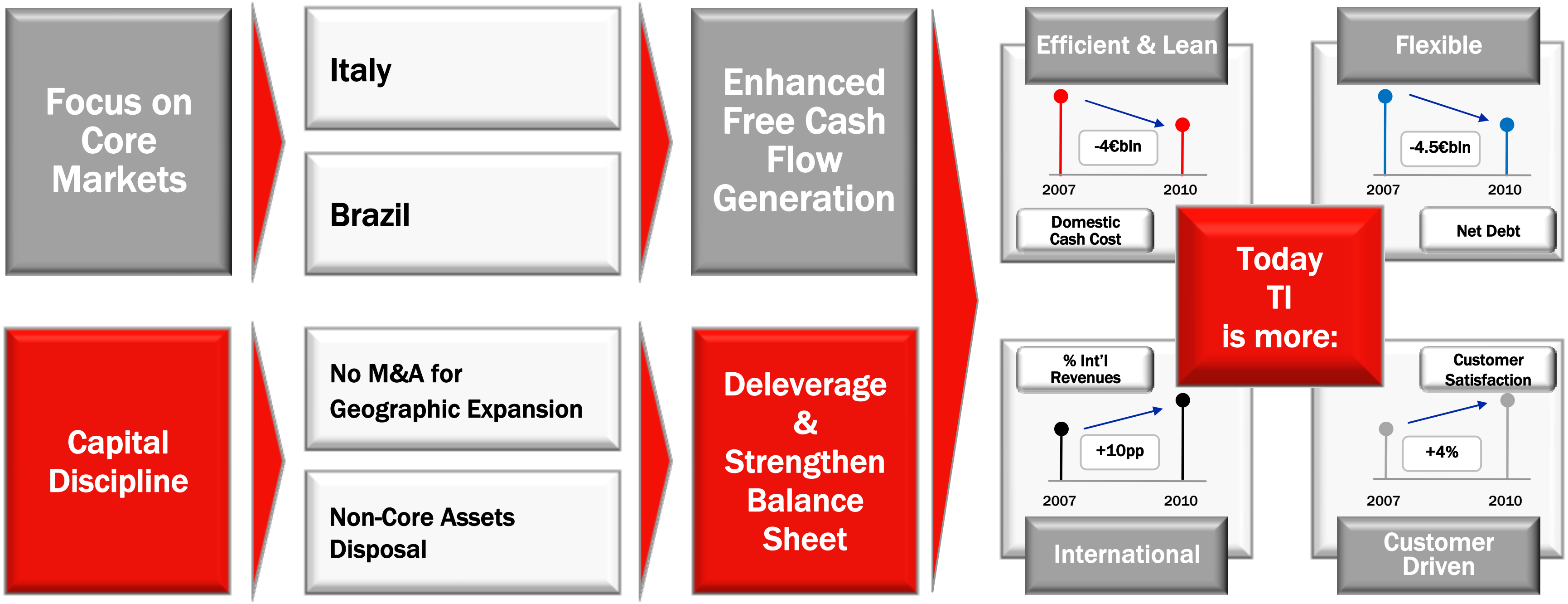
2008 – 2010: We Built a Solid Company



Focus on Core Markets

- Italy
- Brazil

Enhanced Free Cash Flow Generation

Capital Discipline

- No M&A for Geographic Expansion
- Non-Core Assets Disposal

Deleverage & Strengthen Balance Sheet

Today TI is more:

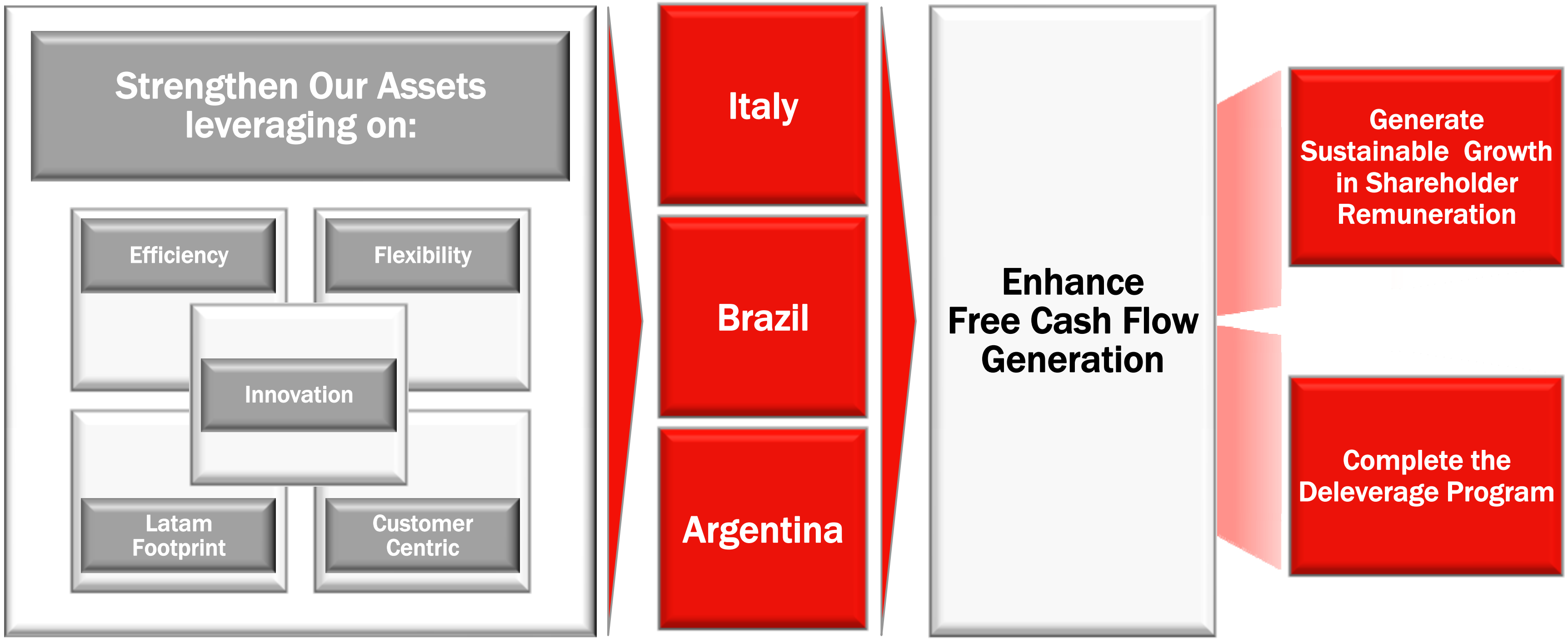
Efficient & Lean

Flexible

International

Customer Driven

2011-13 – TI's Strategic Priorities



Strengthen Our Assets leveraging on:

Efficiency

Flexibility

Innovation

Latam Footprint

Customer Centric

Italy

Brazil

Argentina

Enhance Free Cash Flow Generation

Generate Sustainable Growth in Shareholder Remuneration

Complete the Deleverage Program

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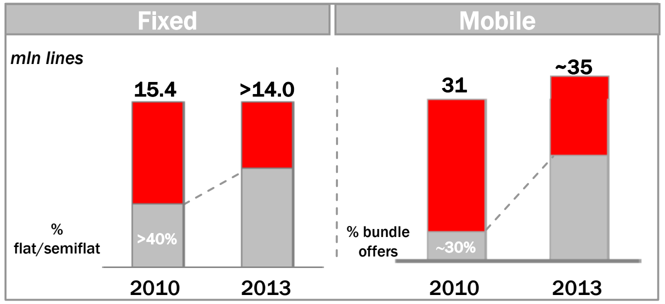
Italy: Improve Revenues Trend…

Drivers | **Actions & Goals**

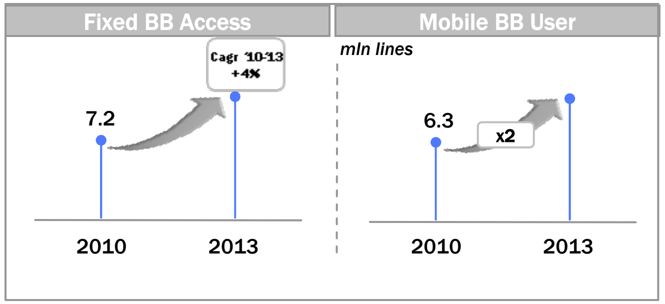
Defend Traditional Services

- Protect the Value of the Voice
- Protect Market Shares
- Increase “Value For Money” avoiding aggressiveness on pricing
- Exploit the knowledge of the Customer



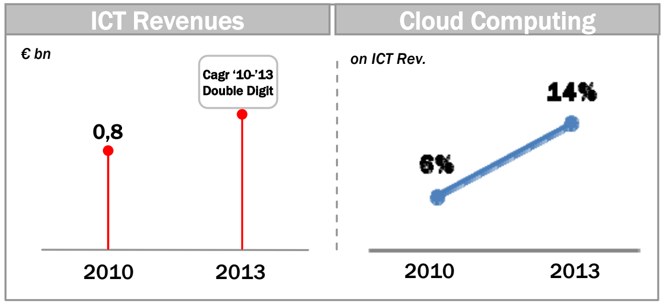
Strengthen BB Experience

- Lever on QoS to sustain price premium
- Push on innovation through Super Internet: ADSL at 10Mbps/100Mbps
- Boost on Mobile Internet & Smartphone
- ADSL as new applications enabler for new bundled product offers



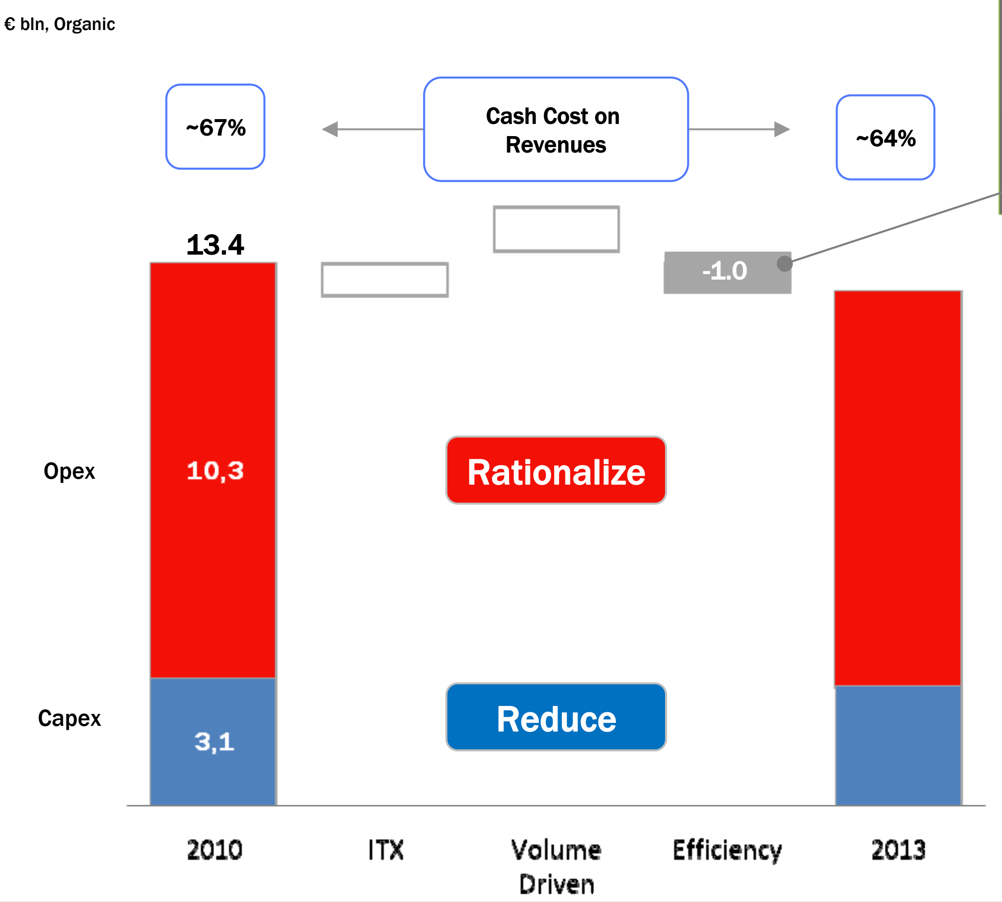
Develop Innovative Services

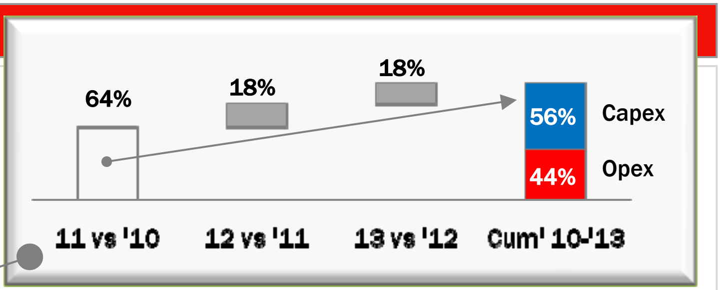
- Launch of Home Gateway and content enrichment: TV programs, MUSIC, gaming, betting
- OTT Services
- Cloud Computing
- Smart Cities, Health & Digital Burocracy



Italy: ...Continuing to Protect Profitability & FCF Generation

Domestic Cash Cost Reduction Plan





Efficiency

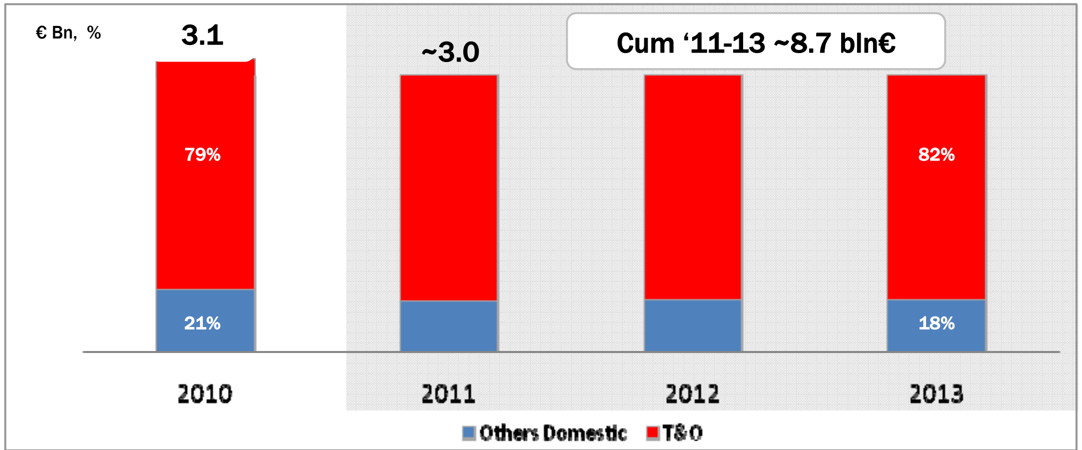
- Continued processes assessment towards the Lean Organization
- Control of discretionary costs
- Leverage on Scale Efficiency

Capex Optimization

- Focused Commercial Investment
- Selective deployment of NGAN
- Roll out of NG wireless access
- Core Network Delayering
- Cloud and SOA IT Architectures

Italy: Capex 2011-13 Plan

Total Capex

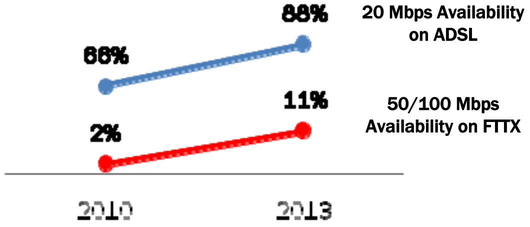


Highlights

- **Network Platforms:**
  - Towards UBB in Wired and Wireless access
  - Optimization and de-layering in the Transport and Core Network
- **Service Platform:**
  - Focus on Cloud Architectures and Content Delivery Networks
  - NG network intelligence for Customer and Context Aware Services

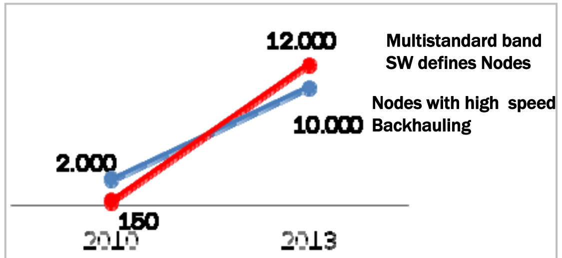
BB & Ultra Wired and Wireless

Wired Access



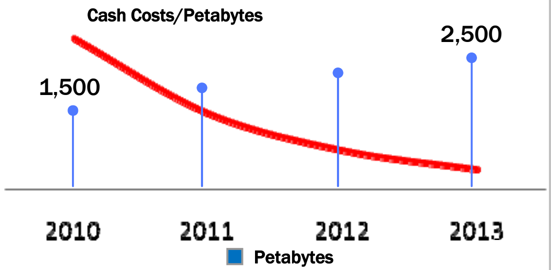
- ADSL Evolution (IP DSLAM, DSM, Vectoring)
- Selective Deployment of Fiber (GPON with FTTH and FTTC architectures)

Wireless Access



- Multistandard and SW defined Access Nodes (80% of existing Nodes)
- High Speed Backhauling (>70% existing Nodes)
- Launch of first commercial trials LTE in 2013

Transport



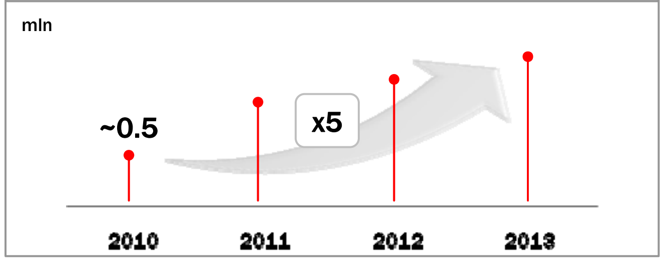
- Introduction of Full Packet Transport and replacement of legacy technologies (PDH, ATM, SDH)

Italy: NGAN Deployment

Drivers	Actions & Goals
TI Stand Alone Plan	- FTTH GPON in the main 13 Cities - FTTC GPON in 27 cities - Low Capex per unit through the existing "Socrate" Infrastructures
New Regulatory Framework	- Draft NGAN Regulation under public consultation - Geographical segmentation of bitstream offer - Risk premium introduction

PPP Projects	- Public Investment in Passive Infrastructures (Ducts, Dark Fiber)
	  - Key Role of TI
	  - Subsidiarity vs TI's plan
	  - Technological Architectures Neutrality

FTTH Home Passed



Main Regulatory Steps

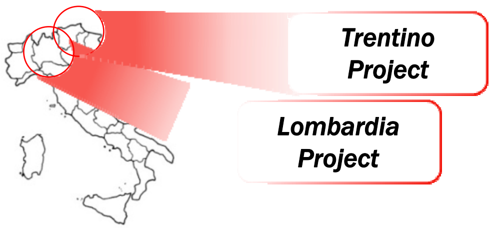
2010-2011

- Public consultation on NGAN guidelines
- approval of TI commercial fiber offer

Plan Horizon

- Expected Supportive Regulatory framework for NGN investment

Projects



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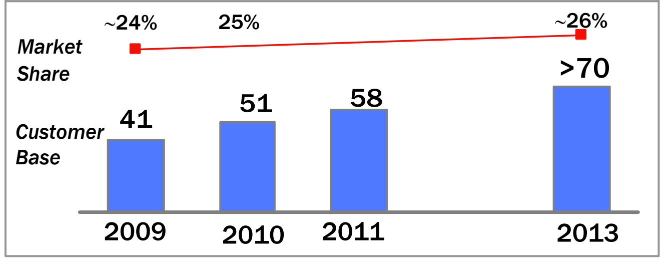
Brazil: Fully Exploit the Pure Mobile “Infrastructured” Approach

Drivers | **Actions & Goals**

Size

- Consistent community expansion
- Consolidate TIM as the 2nd mobile operator in the Brazilian market (>25% value share)
- Market Share: from ~24% YE09 @ ~26% YE13

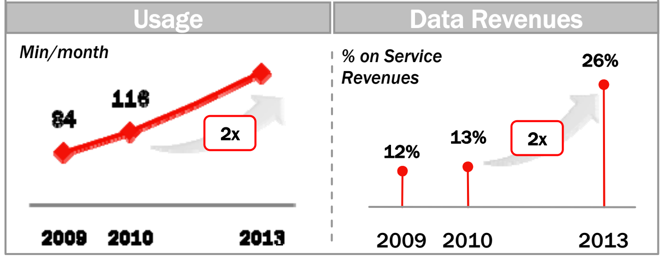
Increase Size



Revenues Growth

- *Keeping the pace* of top line growth
- Drive FMS: doubling voice MOU vs 2010
- Doubling VAS participation on Total Service Revenues

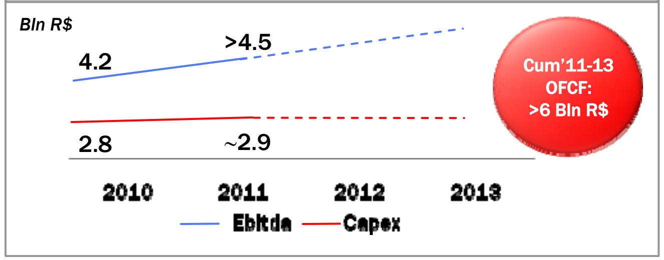
Revenues Growth: the Key Driver



Enhance Value Creation

- Increase network capacity to support voice and data
- 3G full coverage
- Strengthening property trasmission
- Efficiency in Go-2-Market (low subsidy)
- Improve Profitability and Cash Generation

Profitabilty & Capex Trend



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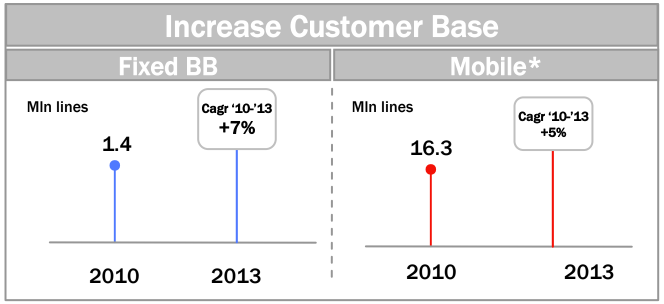
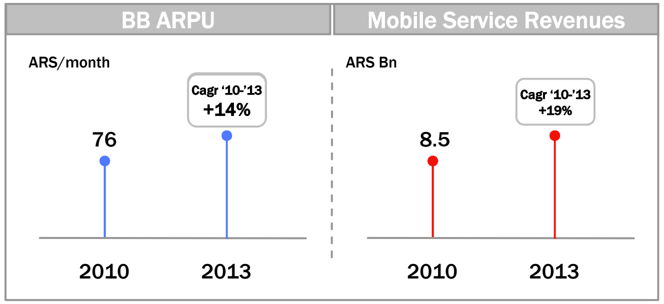
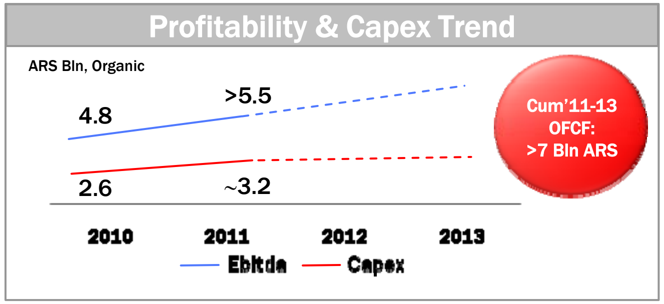
Argentina: Further Growth Opportunity

Drivers	Actions & Goals
Size	- Fixed Business: Consolidate M/S on fixed access and strong increase in BB lines - Mobile Business: steady churn reduction and sound acquisitions in postpaid & mobile BB segments
Revenues Growth	- Bundling offers to increase loyalty and ARPU - Boost innovative services both on fixed and mobile business - Double digit growth on Interactive VAS through Smartphone leadership
Enhance Value Creation	- Capex growth to support BB and Mobile development - Strong focus on high margin services and products - Solid FCF Generation - Capital structure optimization







* Argentinean Operations only