

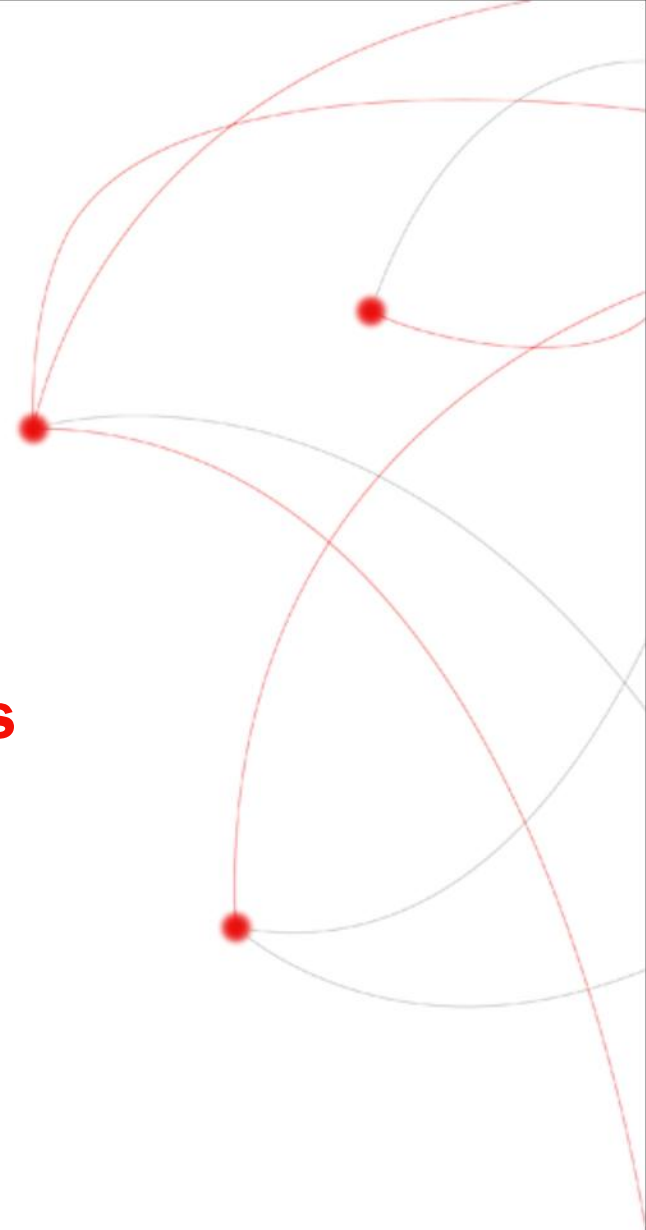
TELECOM ITALIA GROUP

Full Year 2009 Preliminary Results

Milan, February 25th, 2010

Telecom Italia Group Full Year 2009 Preliminary Results

FRANCO BERNABE'



Safe Harbour

All 2009 data contained herein are preliminary and unaudited.

As stated in the press release issued by the Company on February 24 2010, furnished to the relevant authorities, including the U.S. Securities and Exchange Commission, and posted on Telecom Italia's website, given the inability of fully determining the results of its wholly owned subsidiary, Telecom Italia Sparkle S.p.A., Telecom Italia has determined not to proceed with the approval of its 31 December 2009 financial statements, as per its original calendar, and has postponed such approval until it has an adequate understanding of the legal proceedings in which Telecom Italia Sparkle is presently involved. Final results of the Group may differ materially from the preliminary data herein disclosed, depending on the progress and/or outcome of such legal proceedings and/or our understanding of them by the time the financial statements for the year ended 31 December 2009 are required to be filed, according to Italian rules.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such preliminary data. We undertake to release publicly the final financial results of the Group in compliance with relevant Italian rules on financial disclosure.

In addition, this presentation contains 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 information is not a guarantee of future performance and involves 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.

Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events. Readers 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

- ▶ **TI Group Main Achievements**
- ▶ **Focus on Domestic Business**
- ▶ **Focus on TIM Brasil**
- ▶ **Back up**

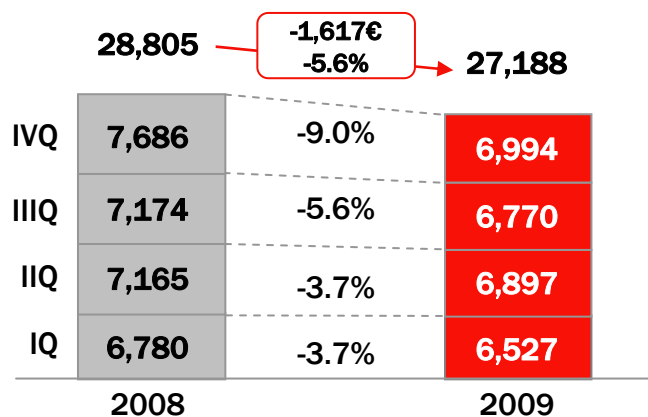
TI Group FY09 Progress Report



TI Group Improved Profitability: Organic Results vs. 2008

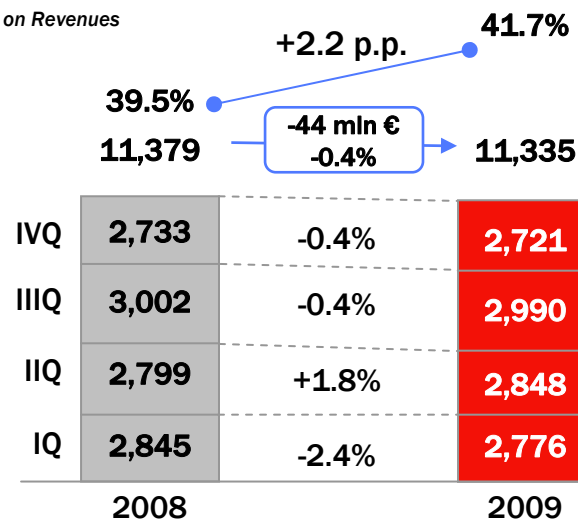
Euro mln, Organic data, %

Revenues



EBITDA

% on Revenues



▶ Enhanced Revenues Mix

- ▶ Service revenues decrease 4.2% yoy
- ▶ Handsets' revenues decrease 22.1% yoy

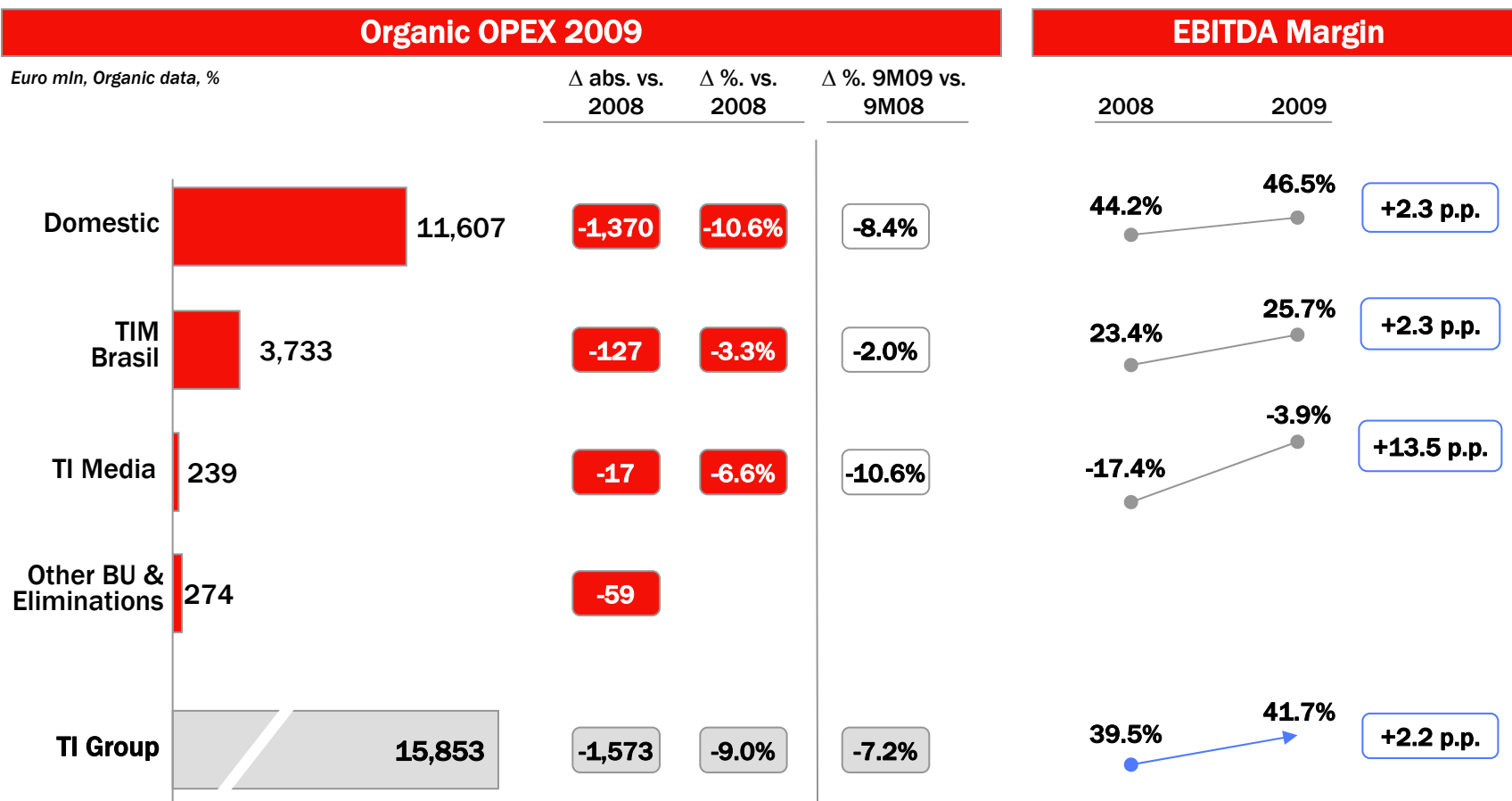
▶ Improved EBITDA margin

- ▶ Strong reduction in Opex (over 1.5B€ reduction in the year)

Delivering 2009 EBITDA Target (Stable vs. 2008)

Figures considering HanseNet classified as Discontinued Operations

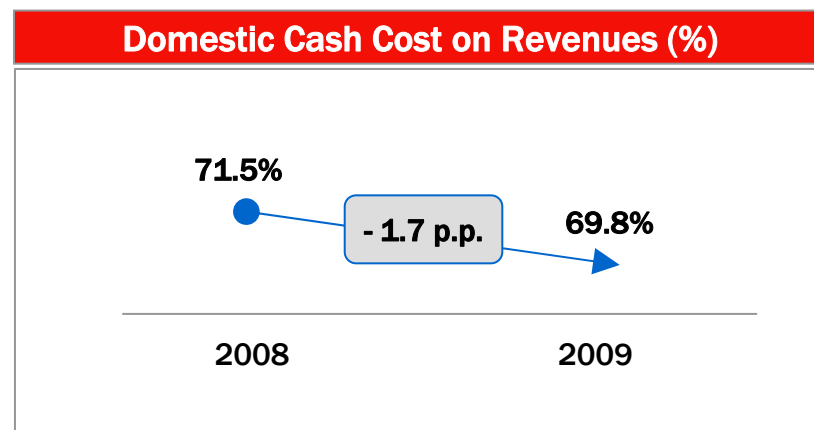
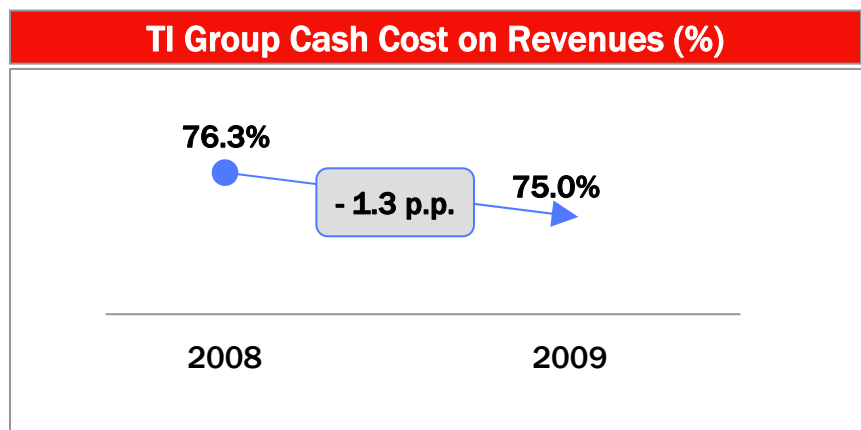
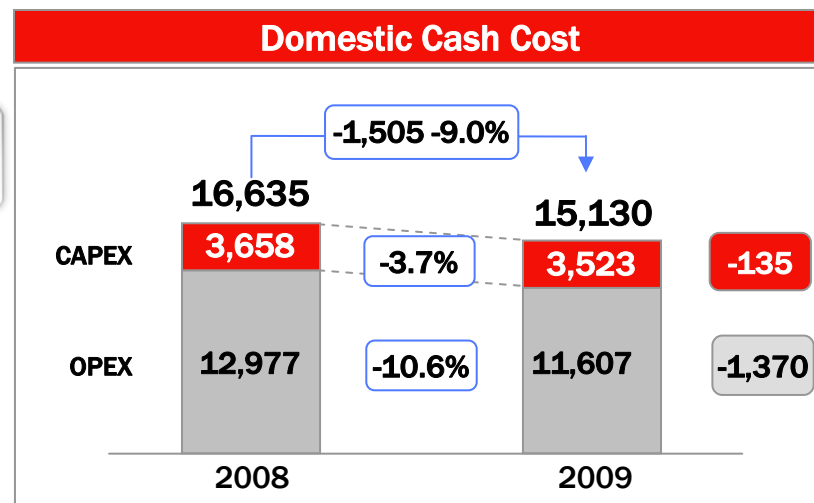
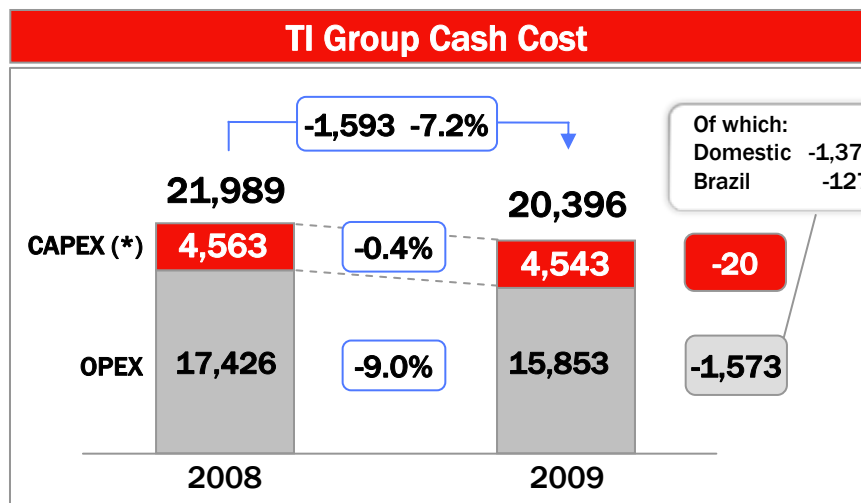
Cash Cost Control: a Group-Wide Commitment



Figures considering HanseNet classified as Discontinued Operations

Group Cash Cost Control to improve Operating Cash Flow

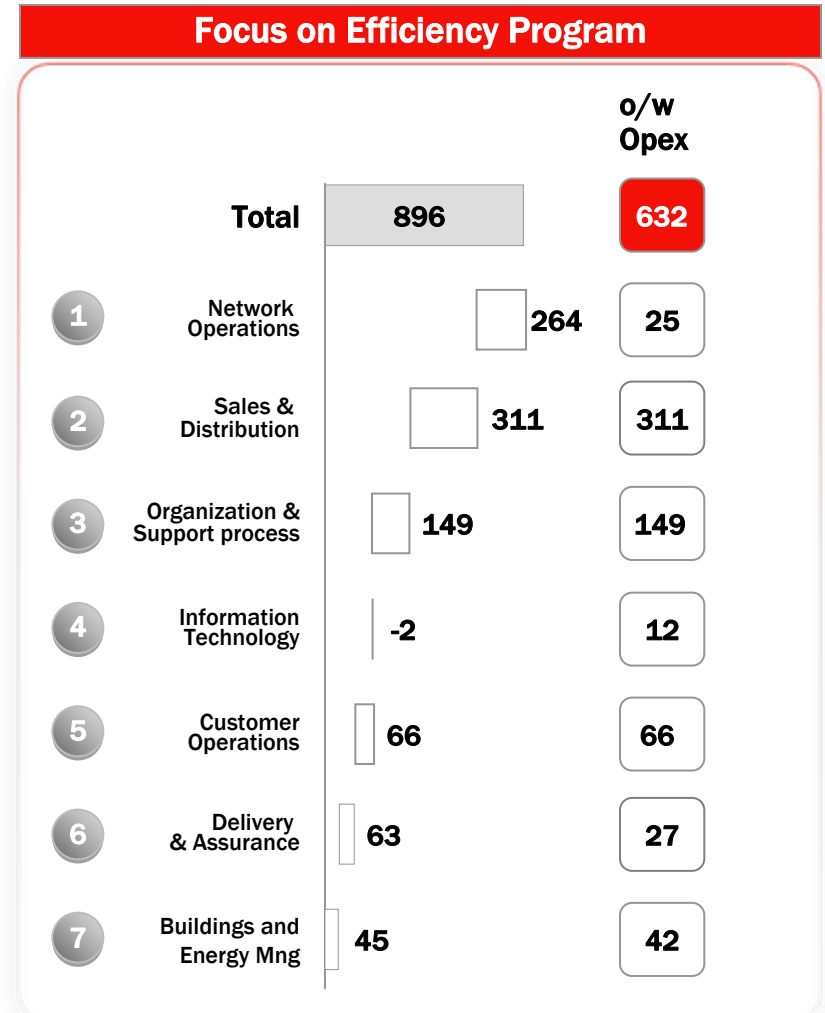
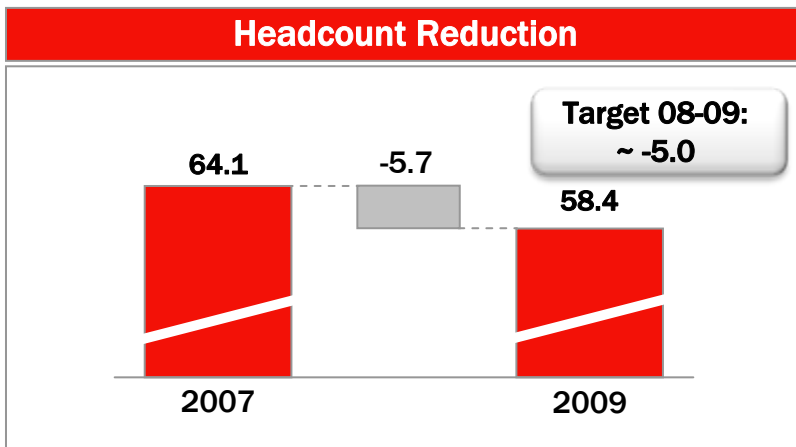
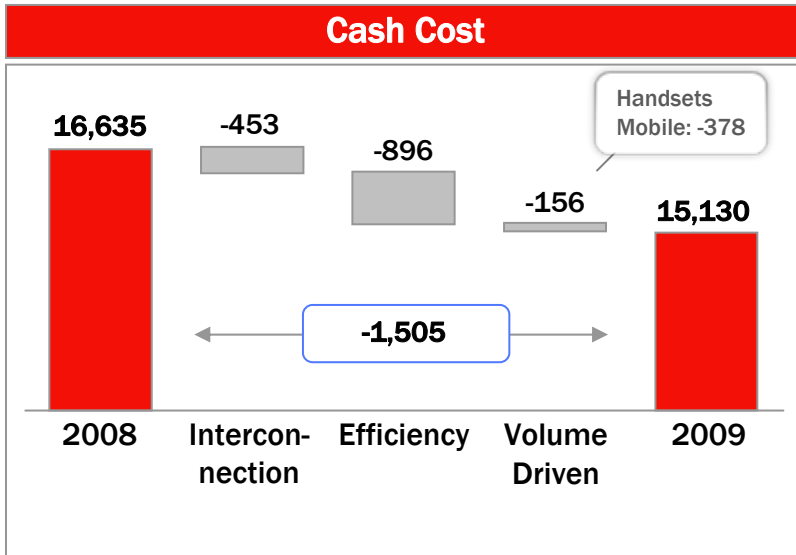
Euro mln, Organic data, %



(*) 477M€ Brazilian license Fee in 2008 excluded

Domestic Main Achievements 2009 – Progress on Cash Cost Rationalization

Euro mln, Organic data, %

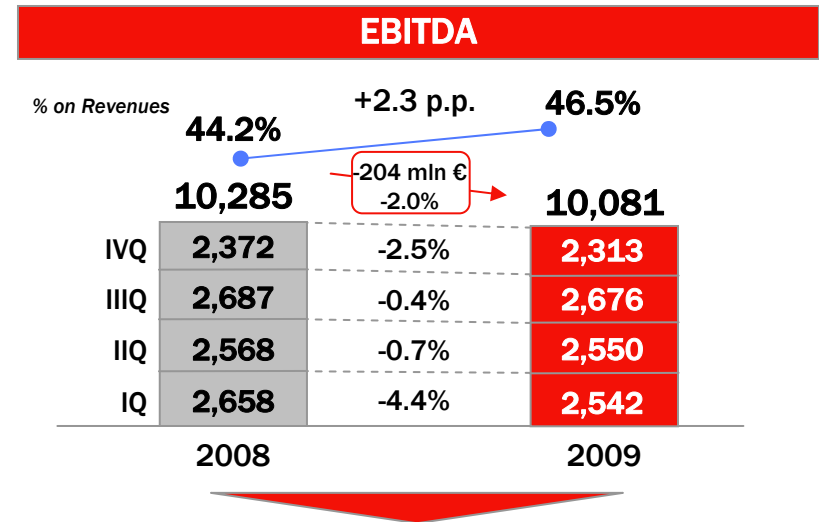
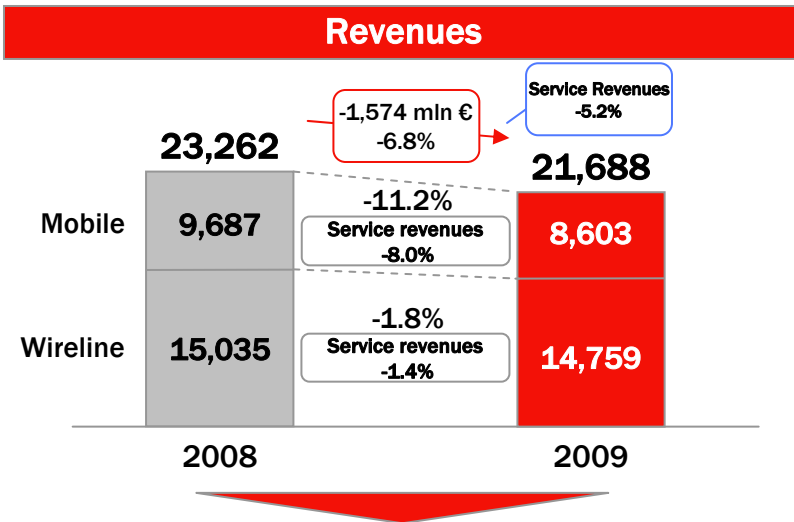


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Domestic – Steady Cost Control Offsetting Revenues Decline

Euro mln, Organic data, %

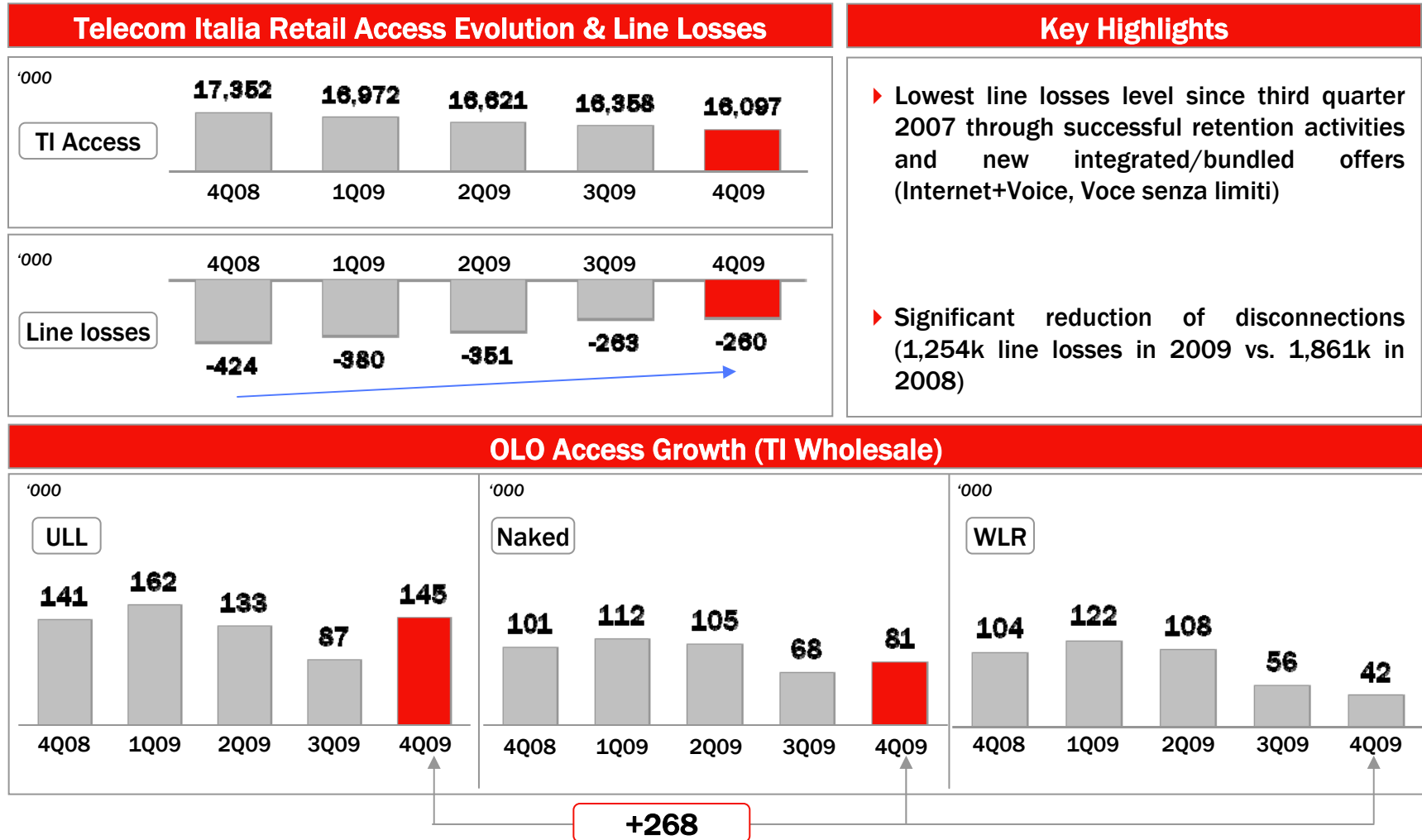


- ▶ **Fixed business:**
 - ▶ Reduction in line losses
 - ▶ Push on BB flat offers
 - ▶ Increase in ICT market share
- ▶ **Mobile business:**
 - ▶ Strong reduction in handsets sales (IVQ09 -59% YoY)
 - ▶ Weak Mobile Service revenues due to loss of market share
 - ▶ Strong pick-up of mobile browsing bundle package

**Outperformed the 2009
EBITDA Target of 9.9-10B€**

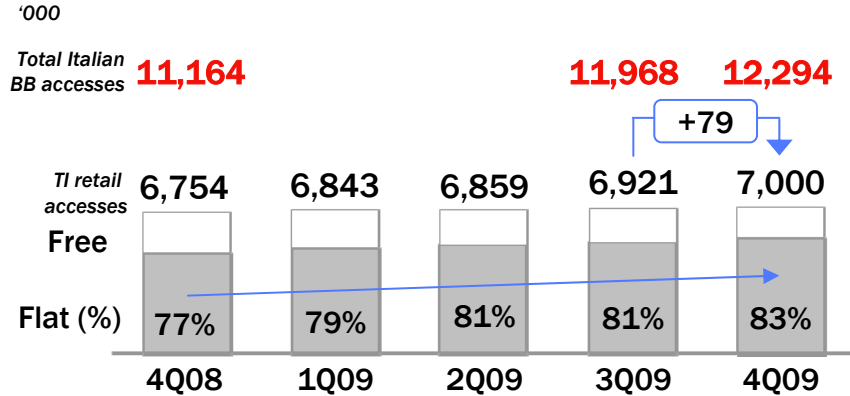
Domestic Fixed – TI Access Performance

'000 access

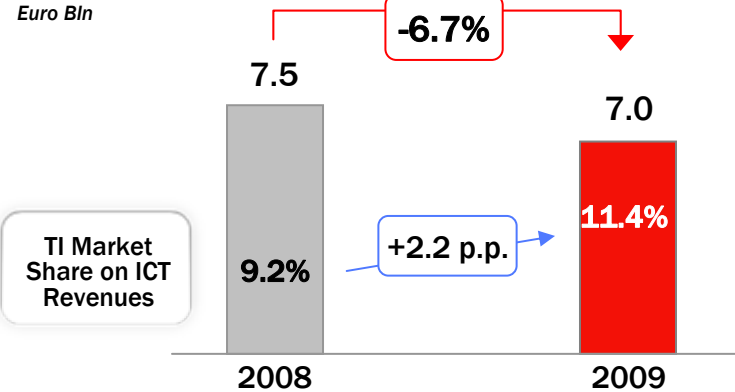


Domestic Fixed - Focus on BB & ICT

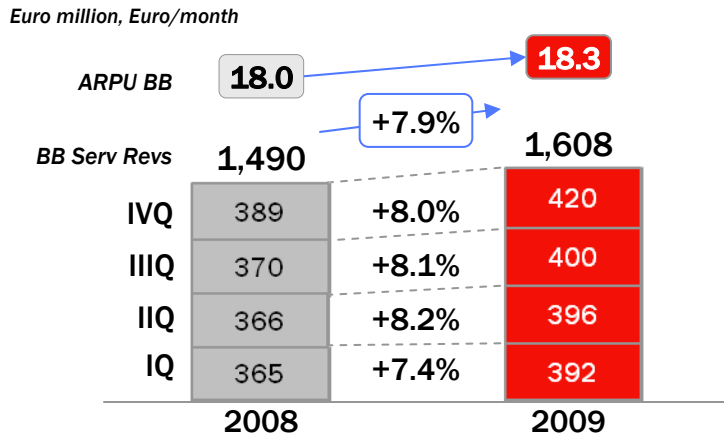
Broadband Market



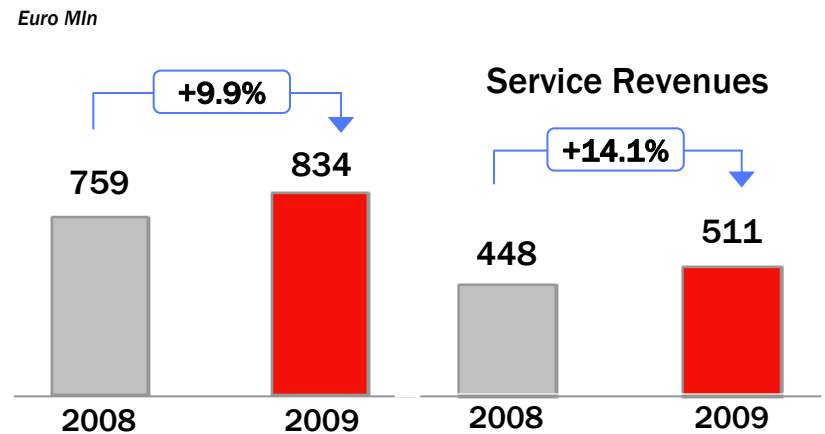
Italian ICT Market Revenues Trend



Broadband Service Revenues



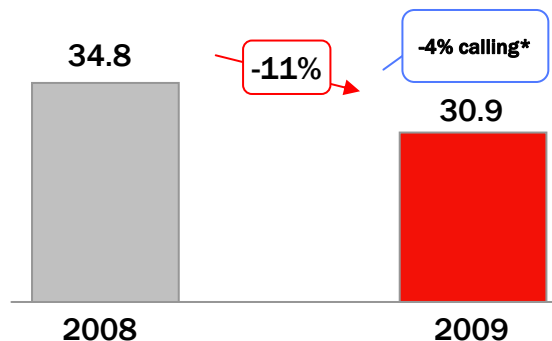
Focus Telecom Italia ICT Revenues



Domestic Mobile - 2009 Main Facts

Customer Base Mobile

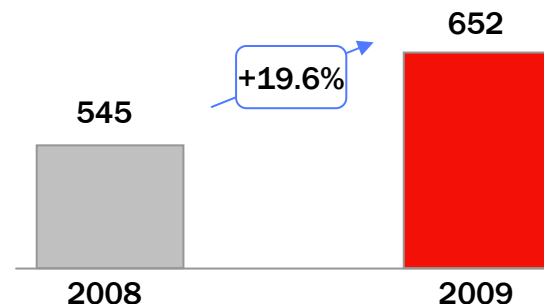
(mln SIM)



(*) SIM Human that generate/receive calls/browsing in the last 30 days

Mobile BB –Revenues**

Euro mln



(**) Revenues normalized excluding promotion related to device sales

Key Highlights

- ▶ Strong reduction of inactive SIM
- ▶ Market share loss mainly in the cost conscious segment as a results of re-pricing
- ▶ Weak service revenues performance due to lower customer base, MTR reduction, strong decrease of content VAS and SMS
- ▶ Good take-up of Mobile BB offers and leadership on Smart phones partially offset by handset driven revenues (Try&Buy) decline

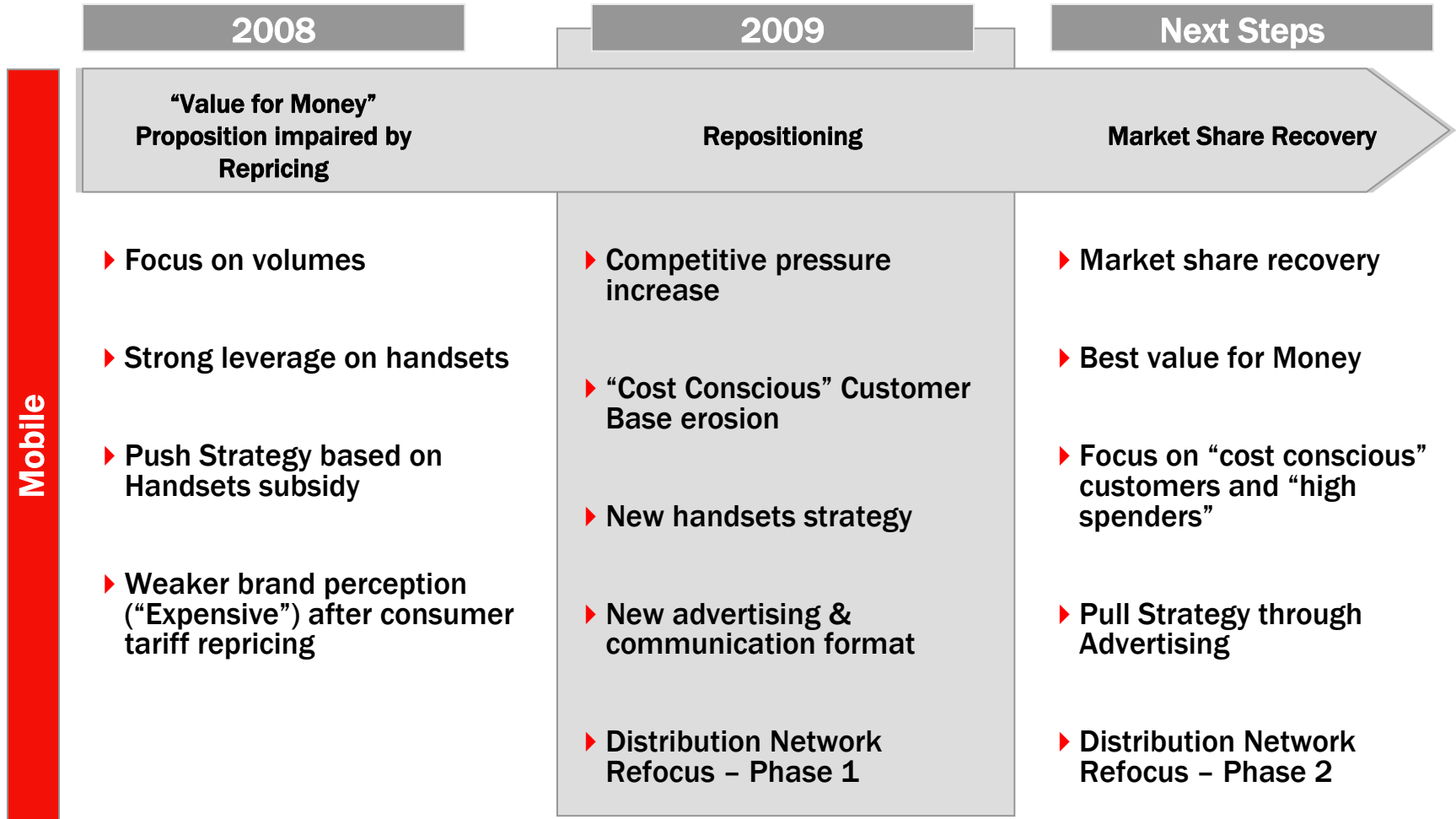
Domestic Mobile Revenues

Euro mln

	FY 08	FY 09	Δ % YoY	
Total	9,687	8,603	(11.2)	=
Handsets	860	482	(44.0)	(3.9)
				+
Outgoing Voice	4,969	4,588	(7.7)	(3.9)
				+
Business Received *	1,684	1,511	(10.3)	(1.8)
				+
VAS	2,173	2,022	(6.9)	(1.6)

(*) Incoming, Visiting and Other Revenues

Domestic Mobile - the Repositioning Path



Domestic Mobile - Speed up Turnaround

Increase market share

- ▶ Simplified and strengthened Gross Adds and MNP offering
- ▶ Advertising pressure with focus on product key-benefits
- ▶ Vertical offering for the Ethnic segment
- ▶ Boost mobile penetration in the business segment

Customer Base value protection

- ▶ Focus on community to reduce Churn
- ▶ ARPU stabilization with add on offering
- ▶ Pre-retention on high end customers
- ▶ Restyling of lock-in offers
- ▶ Increase SMS users (Flat bundle) and usage (On-net bundle)

Mobile BB leadership consolidation

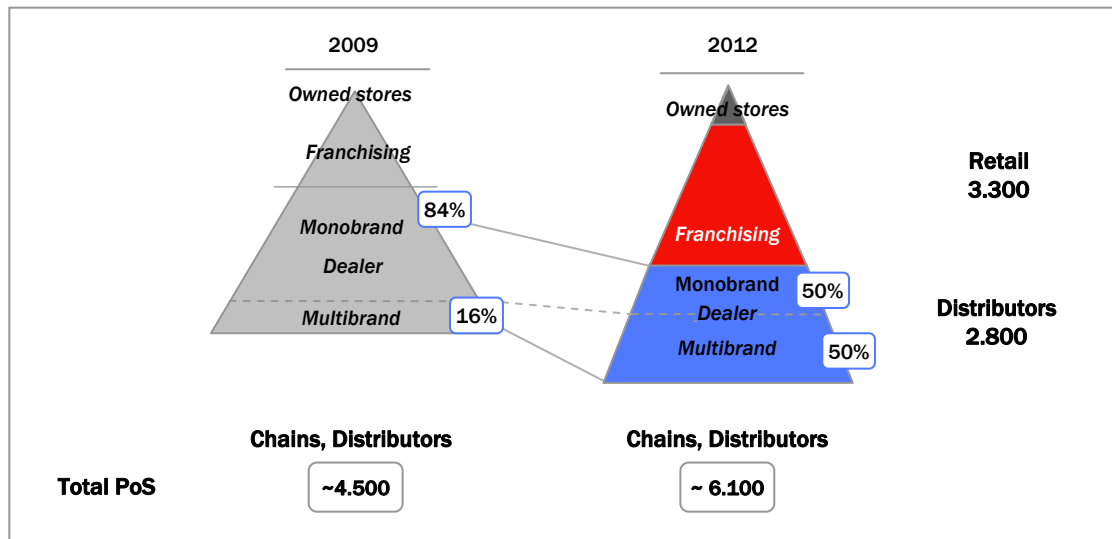
- ▶ Leadership on high speed technology
- ▶ Increase in penetration (new entry level offers, new annual bundles)
- ▶ Cross selling on fixed customer base
- ▶ WAP/WEB browsing pricing simplification

Completing Sales Network Reorientation

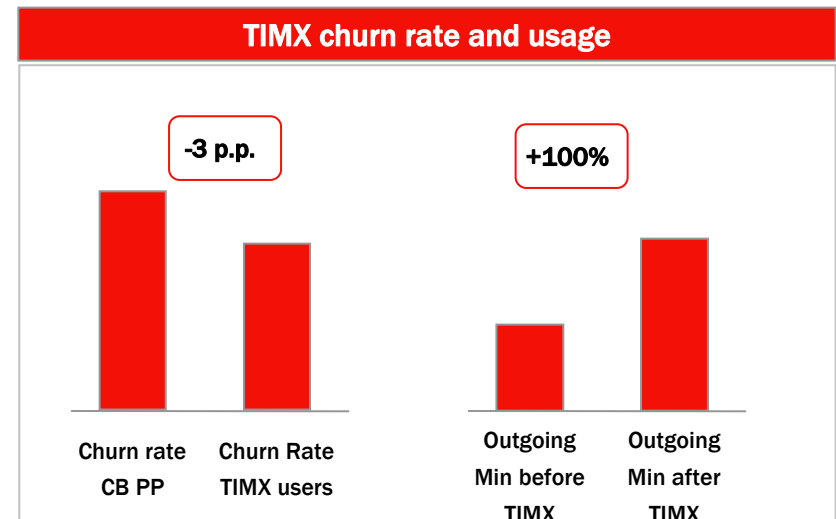
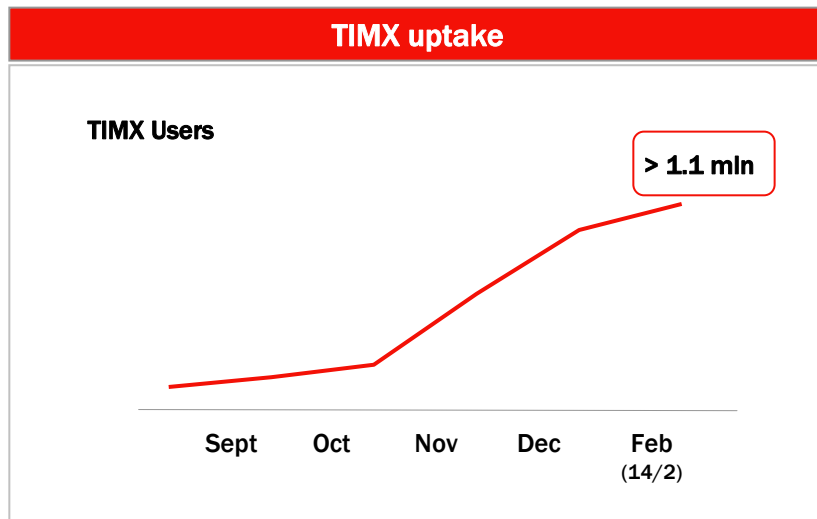
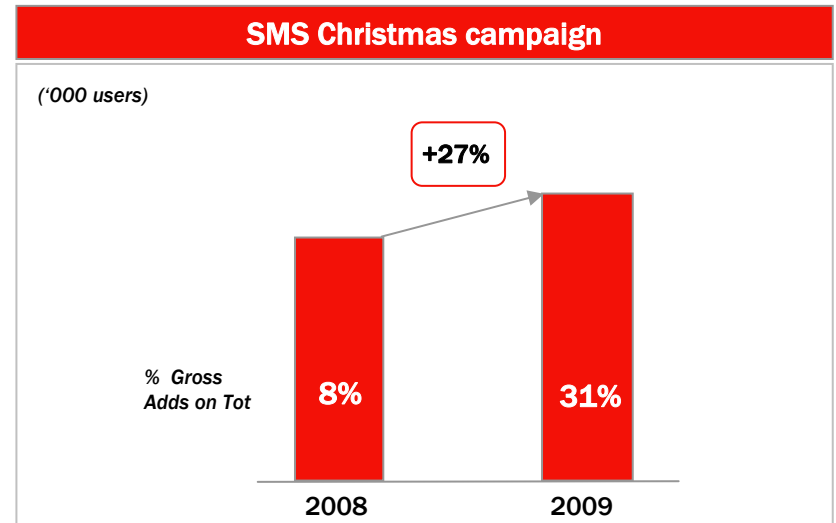
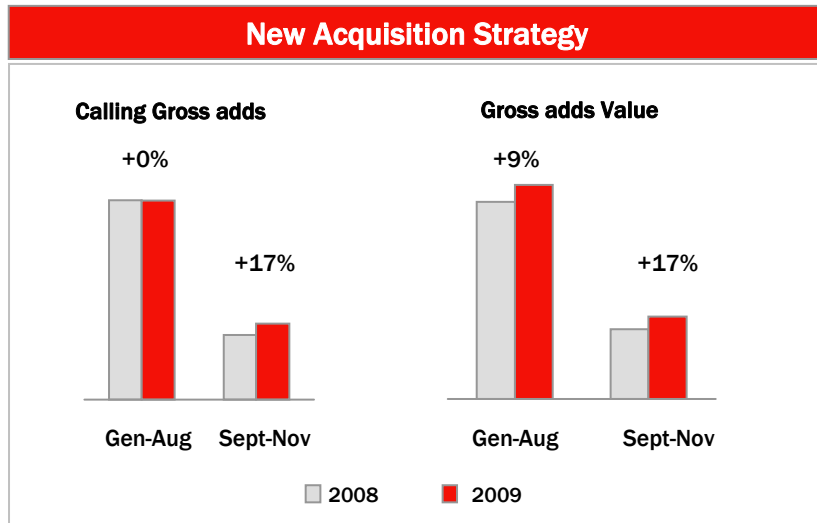
- ▶ Focus on Franchising & Dealer Multibrand
- ▶ Point of Sales restyling
- ▶ New sales commissions model: "bill size" to acquire value customers

Domestic Mobile - Re-design the Sales Channels

Step 1: Refocus (done)	Step 2: Remodelling (in progress)	Step 3: Development and implementation
Business model shift from products to services	New distribution model value driven (bill size)	Full speed recovery of market share
<ul style="list-style-type: none"> ▶ Phase in/Phase out of business partners (around 500 PoS affected) 	<ul style="list-style-type: none"> ▶ Focus on selected high potential Monobrand ▶ Reaching appealing locations through Franchisees (geomarketing) 	<ul style="list-style-type: none"> ▶ Restyling of Points of sale ▶ Increasing Multibrand (potential 30% contribution to gross adds) ▶ Increasing the size of the Sales Channel



Domestic Mobile - First Results and Christmas Campaign



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TIM Brasil FY09 - Main Achievements



TIM Brasil - Organic Main Results

Revenues

Euro mln, %

	5,037	-15 mln € -0.3%	5,022*
IVQ	1,449	-3.7%	1,400
IIIQ	1,336	-1.2%	1,323
IIQ	1,198	+3.4%	1,238
IQ	1,054	+0.7%	1,061
	2008		2009

EBITDA

% on Revenues

	23.4%	+2.3 p.p.	25.7%
	1,177	+112 mln € +9.6%	1,289
IVQ	387	+5.4%	409
IIIQ	328	-2.0%	324
IIQ	254	+20.1%	304
IQ	208	+20.7%	252
	2008		2009

- ▶ Reduced push on handsets
- ▶ Positive 4Q09 service revenues performance (4Q09 +1.4% YoY)
- ▶ Value Added Services Fuelled by micro-browsing through to exclusive offers of Smartphone

- ▶ Ebitda margin increase driven by:
 - ▶ Lower bad debt
 - ▶ Continued cash cost efficiencies
 - ▶ Improved revenue mix

**Delivering 2009
EBITDA Target of ~3.6BR\$**

(*) 98 million Reals reclassified from "Other Operating Income" to "Other Service Revenues"
No EBITDA impact. No reclassification of previous year needed at TI Group level

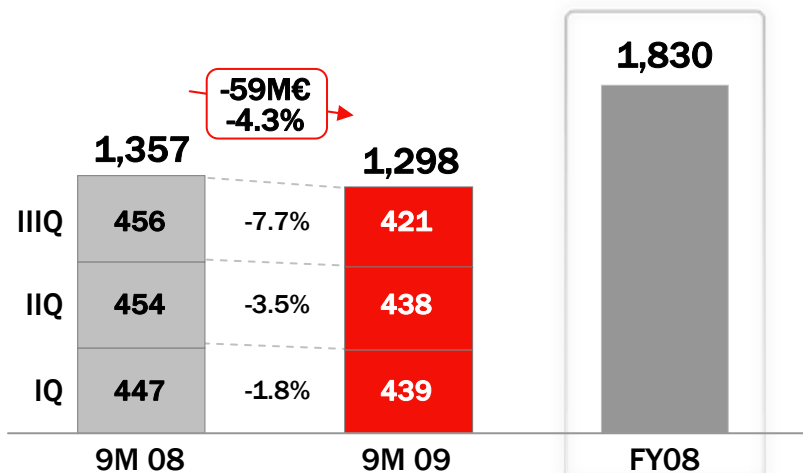
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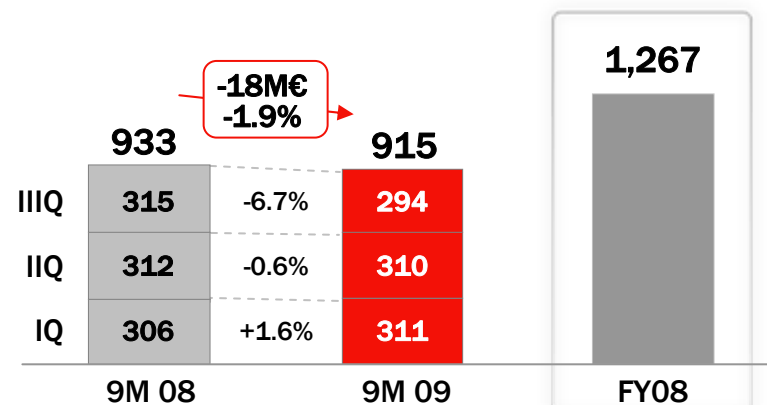
TI Sparkle Group – Reported Main Results

Euro mln, Reported data, %

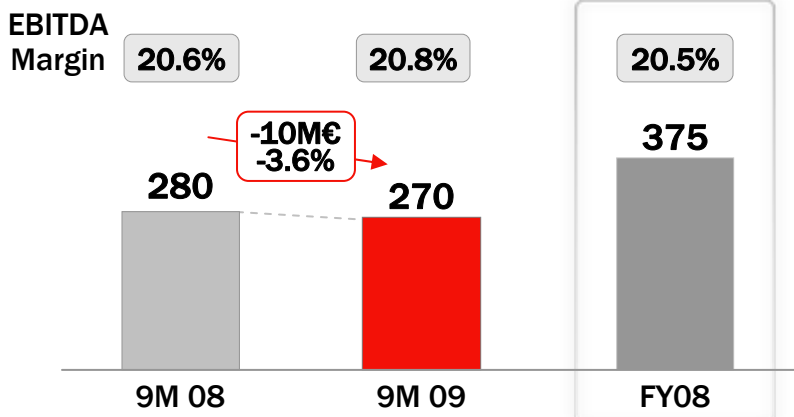
Revenues



Revenue Contribution to TI Group



EBITDA



Telecom Italia Sparkle Spa is a wholly-owned subsidiary of Telecom Italia with the mission of developing international wholesale and MNCs business and supporting Telecom Italia in providing international services.

The Company is active in 36 countries and operates in the global wholesale market environment, by focusing on different market segments and various geographic areas.