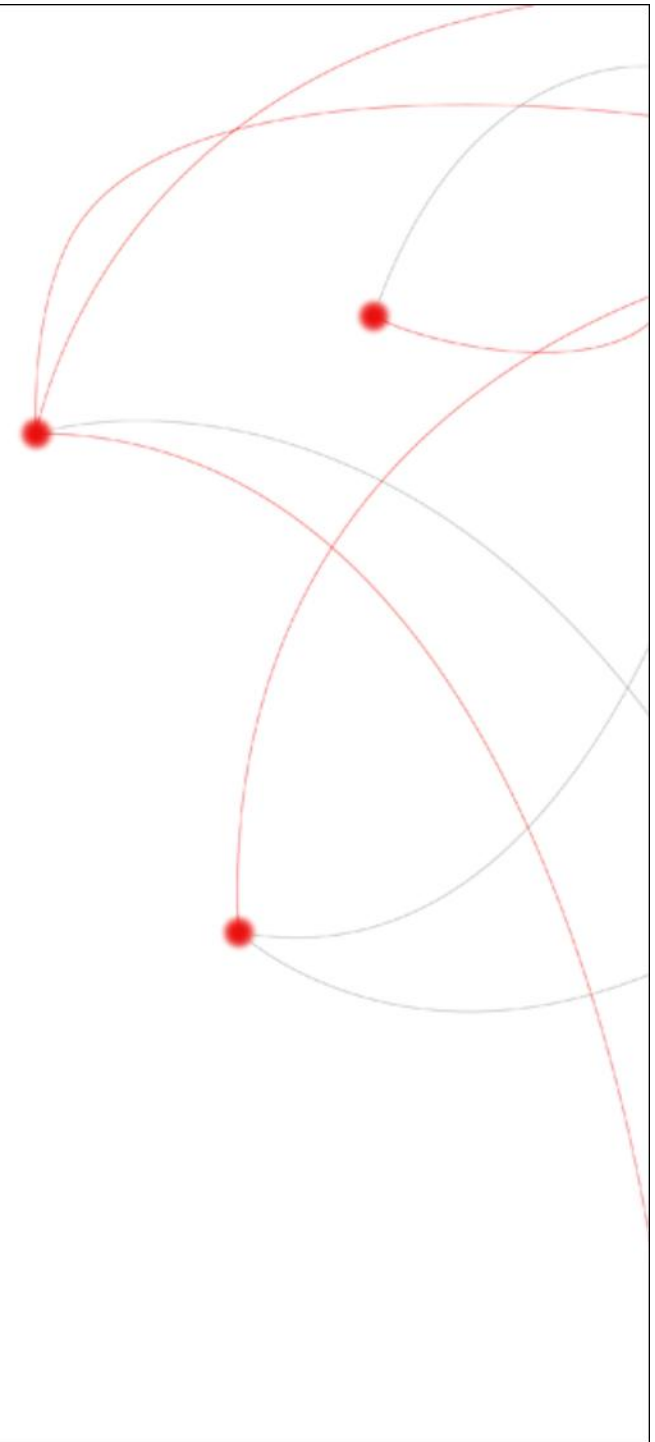


Telecom Italia Analyst & Investor Briefing
2009 Results & Strategic Plan Update
Milan, April 13th, 2010

Telecom Italia Strategic Plan Update

MARCO PATUANO



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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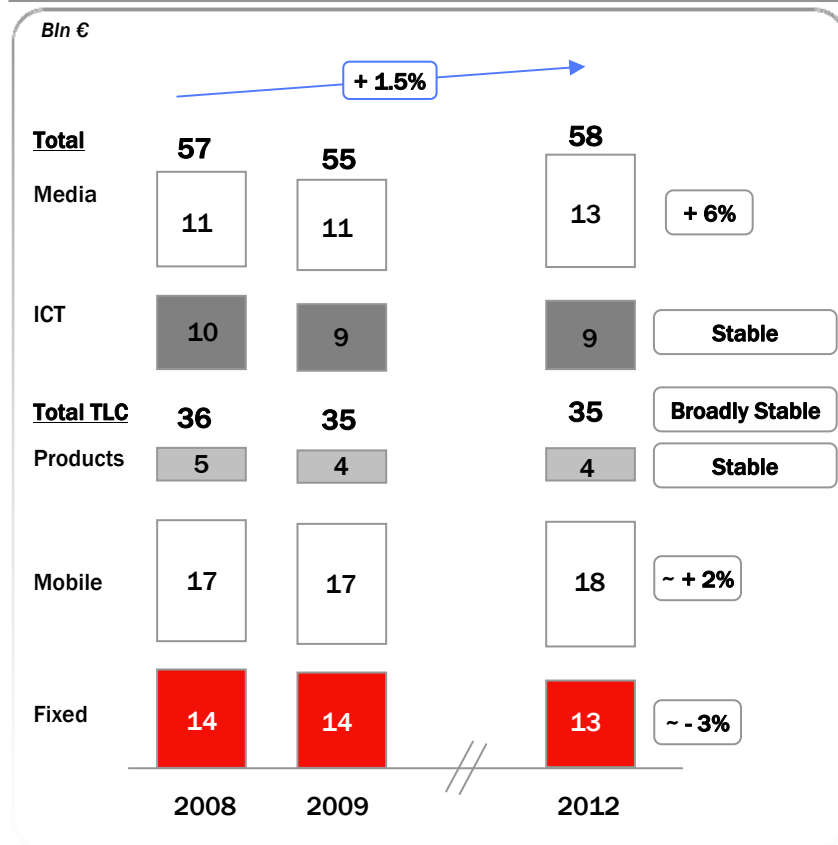
Agenda

- ▶ TI Group 2010-2012 Strategic Plan Update
 - ▶ **Italian Market Overview**

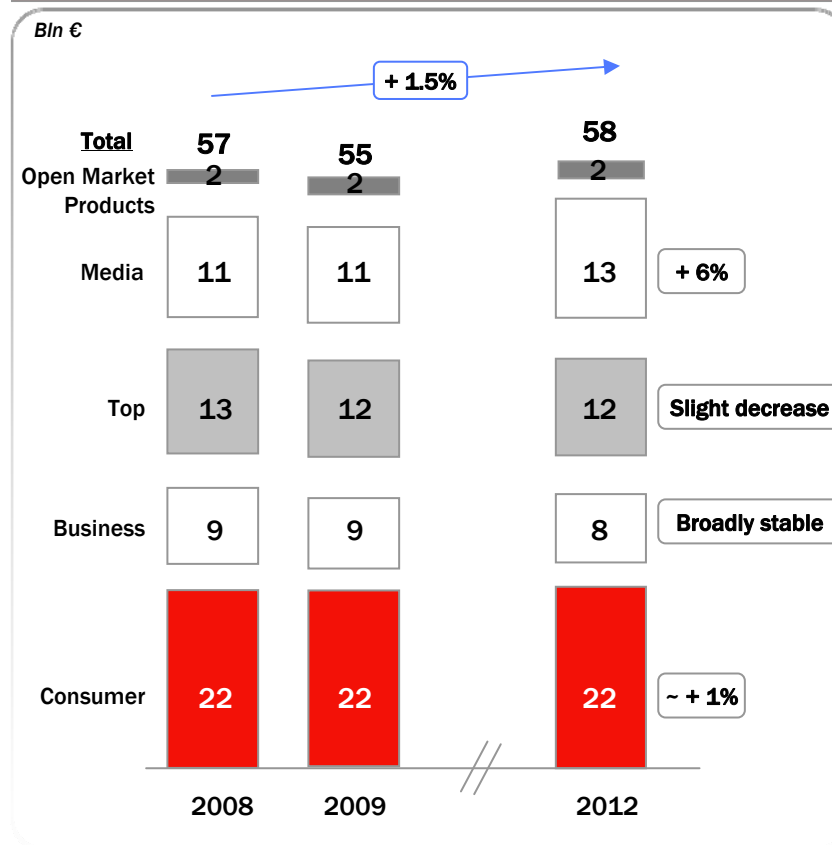
- ▶ Telecom Italia Domestic Strategy and Goals
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Italian Market Evolution '08-'12

Market by Technology



Market by Customer Segment



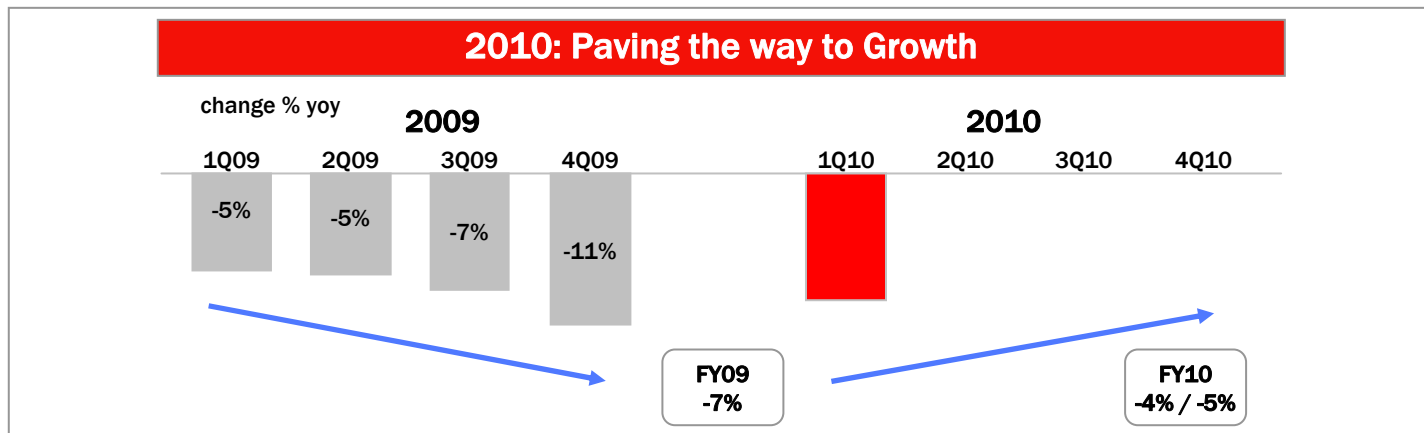
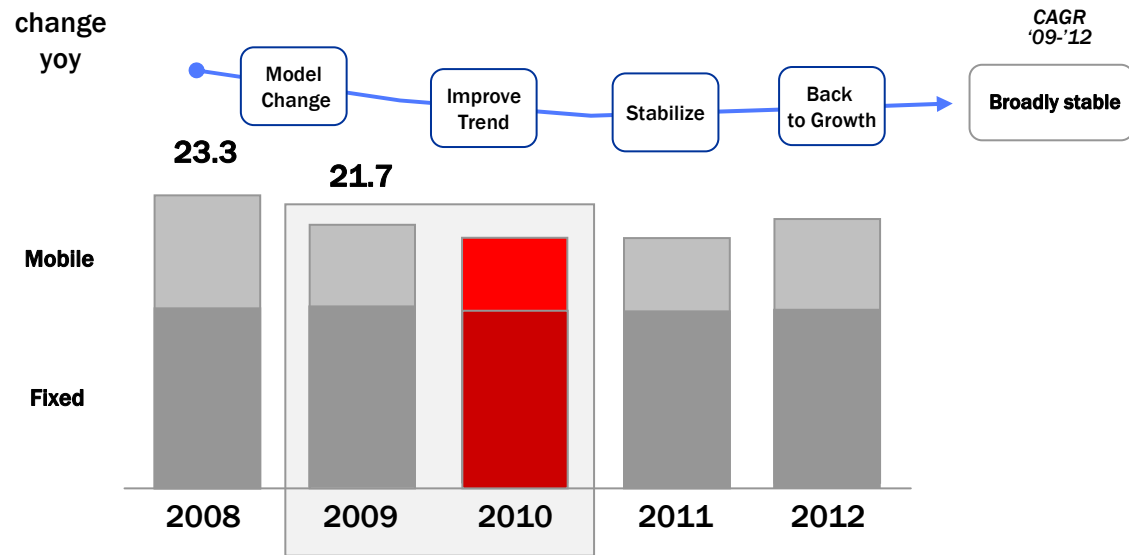
□ CAGR '09-'12

Agenda

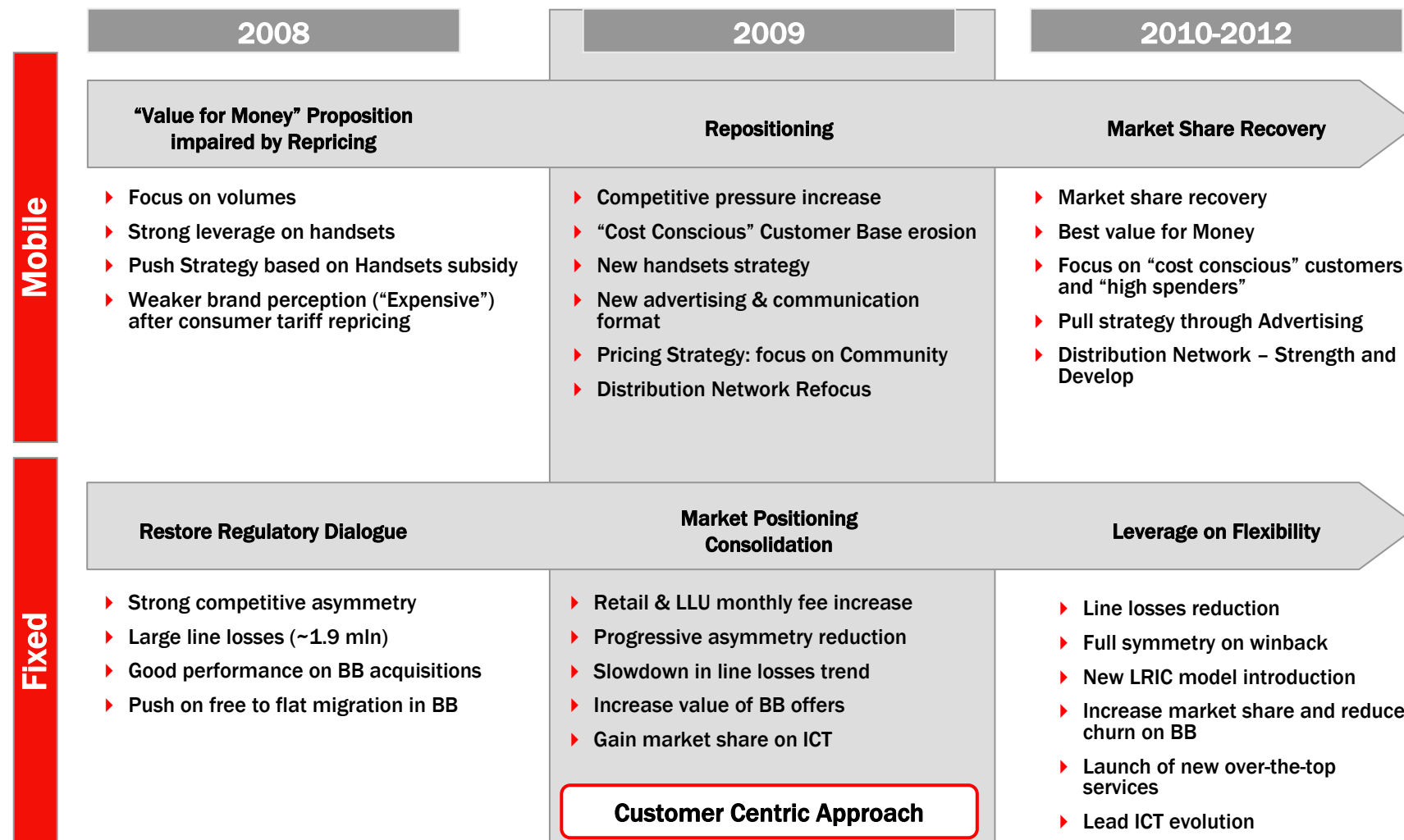
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Domestic Revenues: Trend Reversal

Euro bln, Organic Data

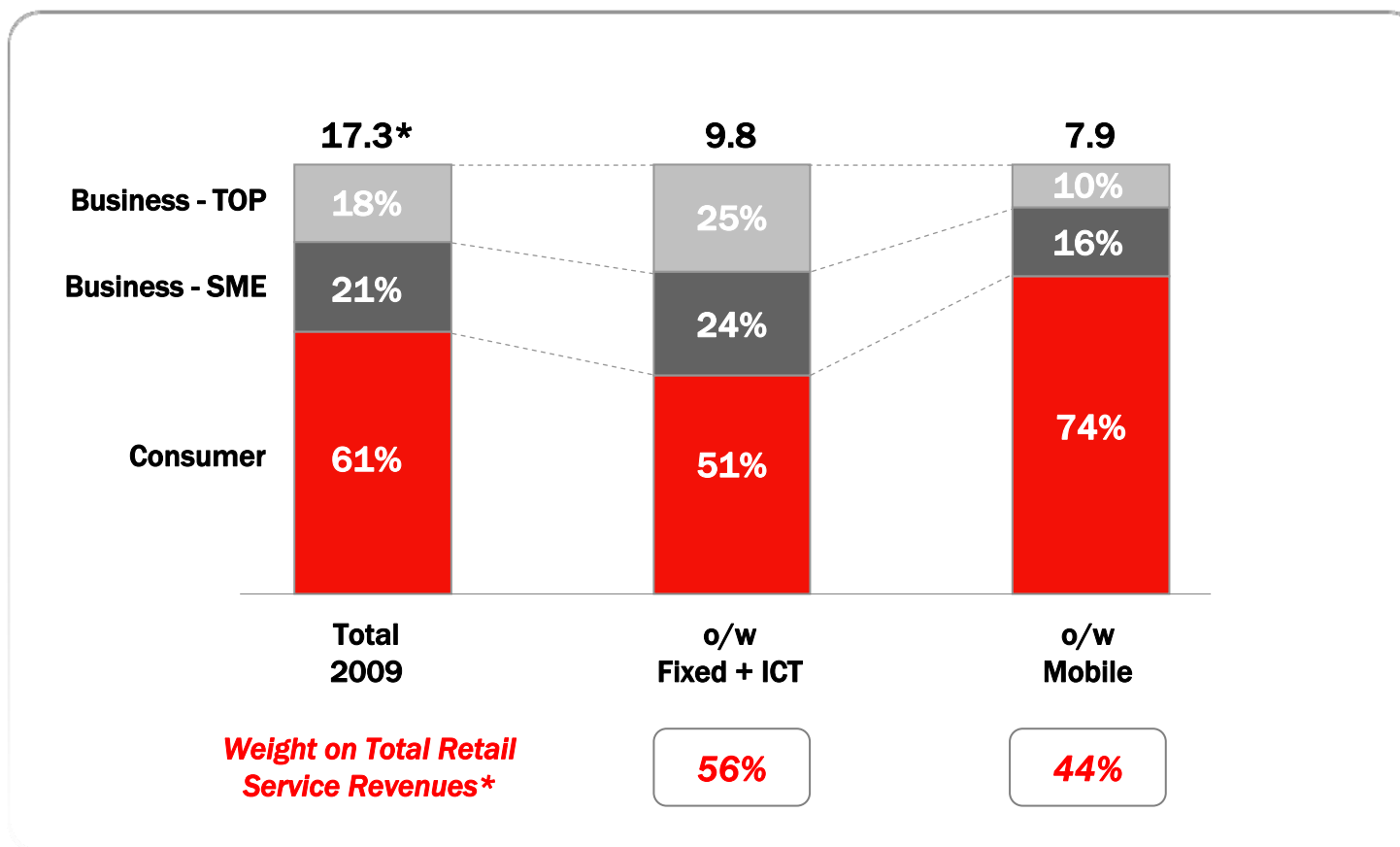


Domestic Market: the Repositioning Path



Domestic “Retail” Service Revenues

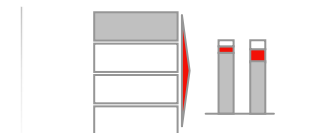
Euro bln, Organic Data, %



* Net of Fixed-Mobile interdivisional sales elimination (0.4B€ in 2009)

Agenda

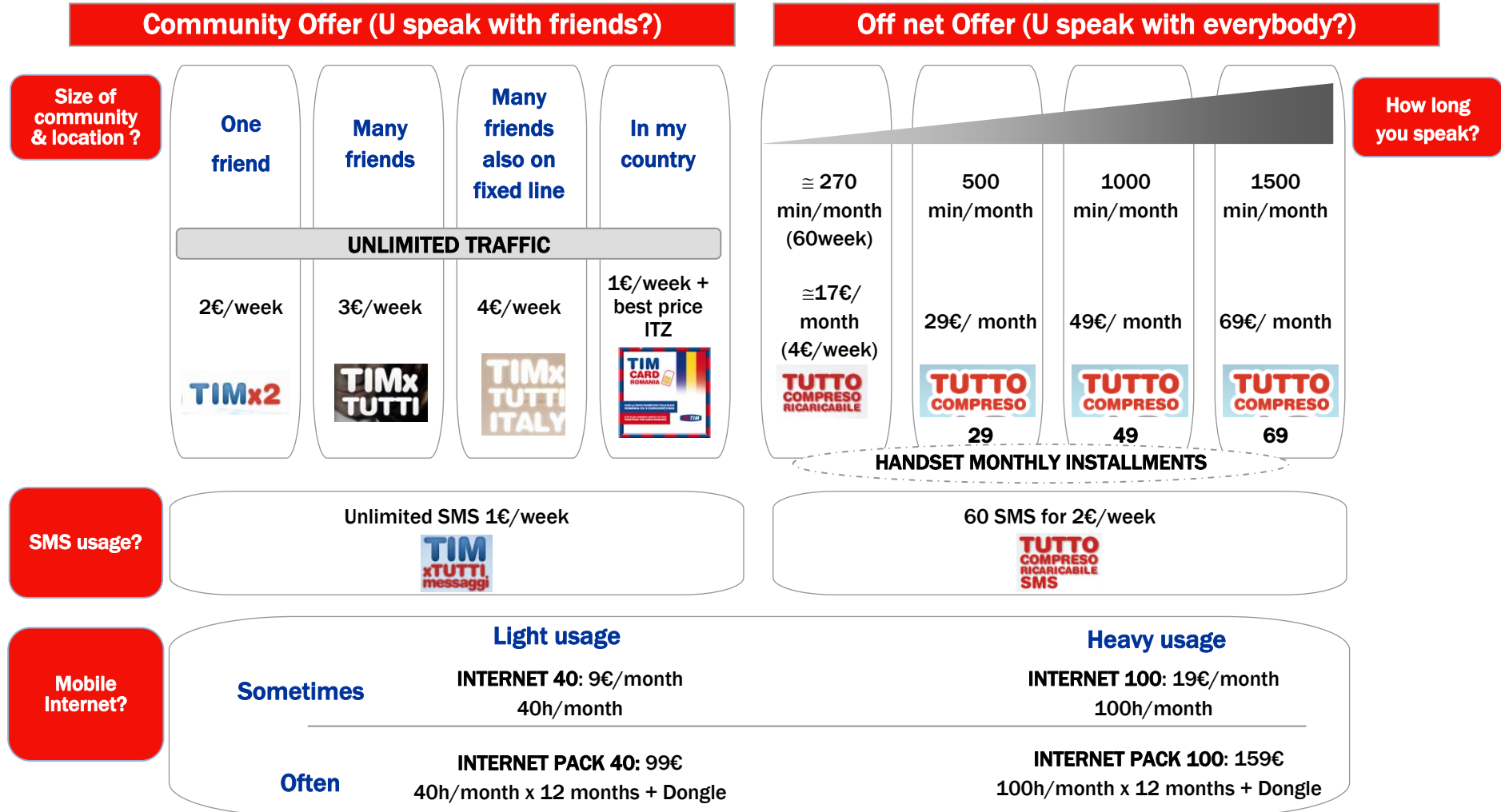
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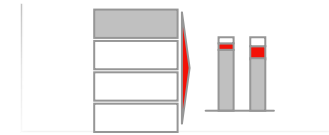


Task #1 Speed-up Mobile Turnaround

Objectives	Actions	KPIs										
<p>Market Share increase</p>	<ul style="list-style-type: none"> ▶ Simplified Portfolio offering and strengthened Gross Adds and MNP tactics ▶ Advertising pressure with focus on product key-benefits ▶ Ethnic segment vertical offering ▶ Completing Consumer Sales Network restructuring: focus on Franchising & Dealer Multibrand, restyle PoS, New sales commissions model 	<p>Customer Base Calling (mln, %)</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2008</td><td>76%</td></tr> <tr><td>2009</td><td>30.9</td></tr> <tr><td>2010</td><td>85%</td></tr> <tr><td>2012</td><td>35.4</td></tr> </table> <p>CB Recover</p>	Year	Value	2008	76%	2009	30.9	2010	85%	2012	35.4
Year	Value											
2008	76%											
2009	30.9											
2010	85%											
2012	35.4											
<p>Customer Base value protection</p>	<ul style="list-style-type: none"> ▶ Best Value for Money Proposition both for “Community users” and for “Off-net users” with the aim to reduce Churn, increase lock-in Value Customers and boost usage ▶ Confirm leadership on customer care adopting multichannel approach to keep quality while reducing costs ▶ Pre-retention on high end customers 	<p>Gross Adds Rebound in 2010 (mln SIM)</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2008</td><td>8.0</td></tr> <tr><td>2009</td><td>6.3</td></tr> <tr><td>2010</td><td>>8.0</td></tr> <tr><td>2012</td><td>9.8</td></tr> </table>	Year	Value	2008	8.0	2009	6.3	2010	>8.0	2012	9.8
Year	Value											
2008	8.0											
2009	6.3											
2010	>8.0											
2012	9.8											
		<p>Consumer Outgoing Calling ARPU (€/month)</p> <table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2008</td><td>14.5</td></tr> <tr><td>2009</td><td>14.0</td></tr> <tr><td>2012</td><td>14.0</td></tr> </table> <p>BROADLY STABLE</p>	Year	Value	2008	14.5	2009	14.0	2012	14.0		
Year	Value											
2008	14.5											
2009	14.0											
2012	14.0											

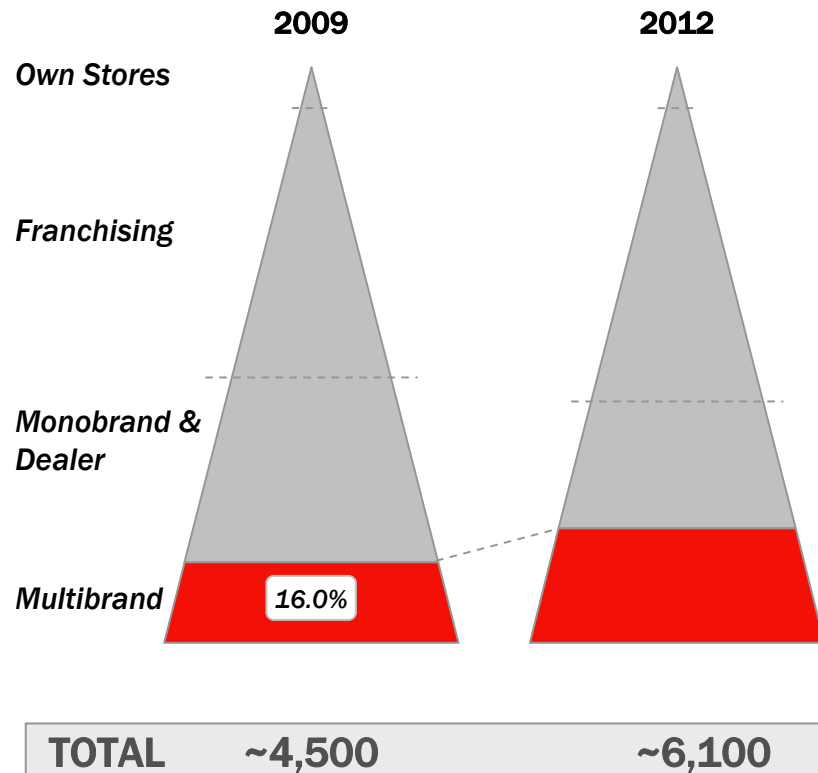
Mobile – Offer: Best Value for Money in the Consumer Segment



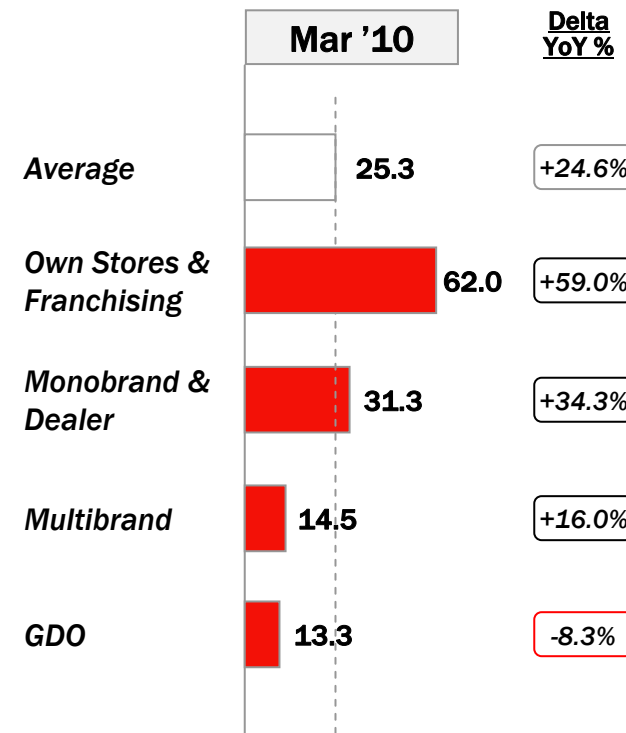


Task #1 Mobile – Re-design Sales Channels

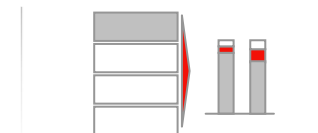
Changing Mix & Size



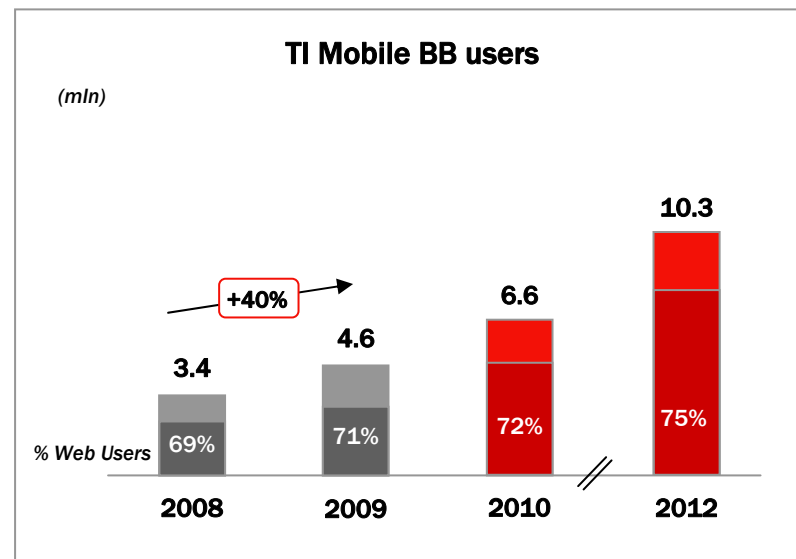
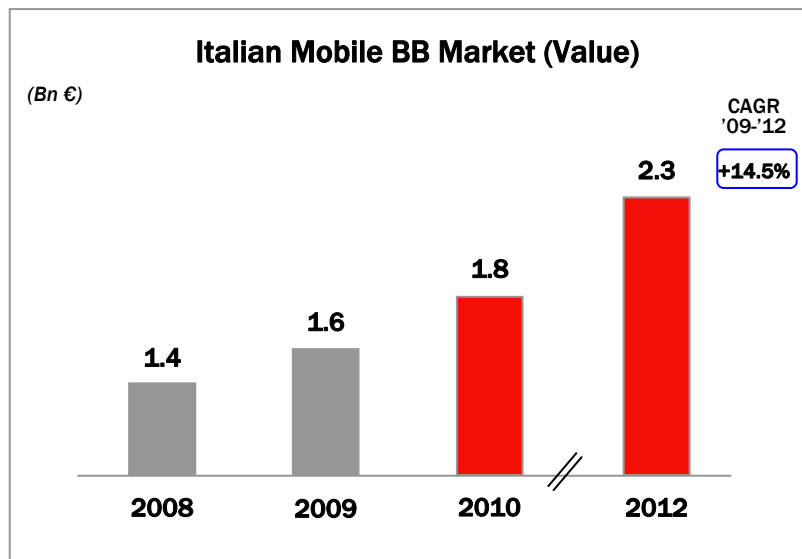
PoS productivity *



(* Weekly Gross Adds /PoS



Task #1 Mobile BB - Consolidating Leadership

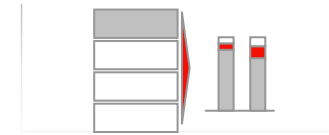


Structural Advantages

Internet Keys	Network coverage
	Network capacity
Smart phones	▶ Leadership in Smartphone market share (TIM market share FY09 ~37%)
	▶ Device portfolio simplification
	▶ Efficient pricing in order to avoid network overload

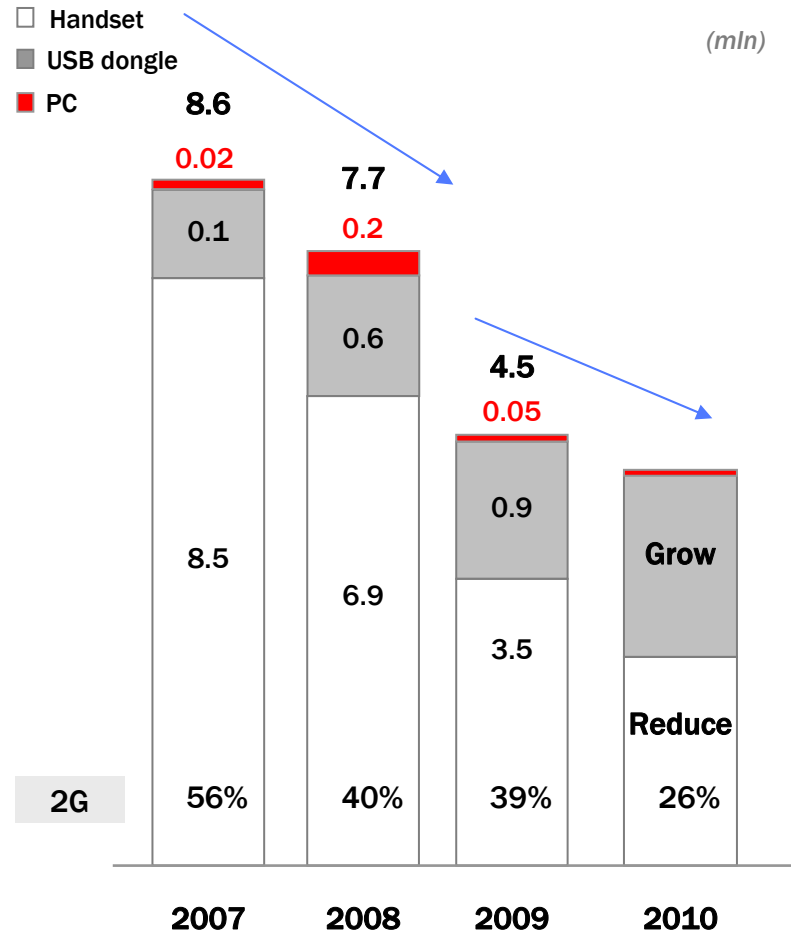
Lever to Reinforce Leadership

Marketing approach
▶ Focus on medium users to:
▶ defend price per MB
▶ stabilize yearly consumption
Services
▶ Complete and competitive prepaid offer portfolio
▶ Internet Pack (new annual bundle device+service)
▶ New postpaid "all-inclusive" offers (Internet Key +pc+service)
Devices
▶ Widest product portfolio, best design, materials and colors



Task #1 Mobile - Handsets Strategy

Sell in Volumes Consumer



Strategy and Impact

Since 2008

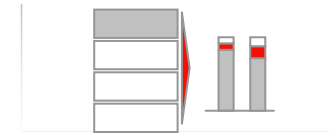
More volumes, mores costs, less profitability

- ▶ Approx 8 mln p.a. of handset volume sold (with SIM embedded)
- ▶ Strong push on handsets resulting into a “long wave” of silent lines lasting until in 1H10
- ▶ Almost 800 mln euro of handset sold per year with negative impact on profitability

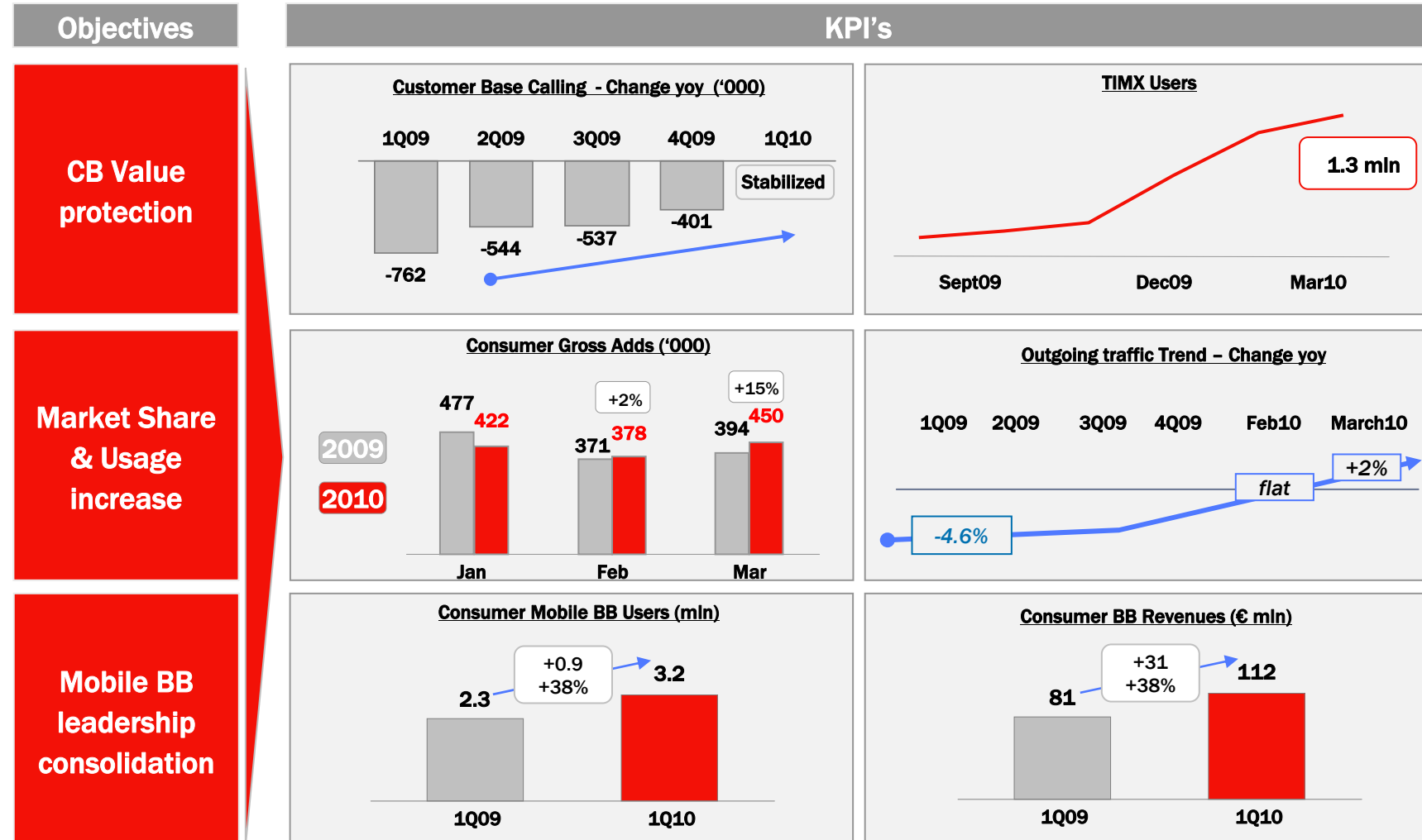
From 2009 onwards

Less volumes, higher profitability

- ▶ Focus on advanced data enabled devices to drive data growth
- ▶ Massive increase on USB dongle sale
- ▶ Smartphones at competitive price
- ▶ Significant improvement in revenues mix with positive impact on SAC and margins

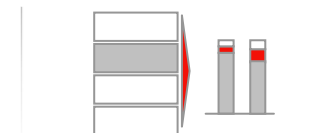


Task #1 Mobile – Early Evidence



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Task #2 Consolidate Positive Fixed Momentum

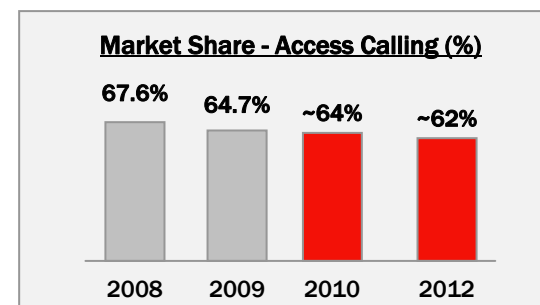
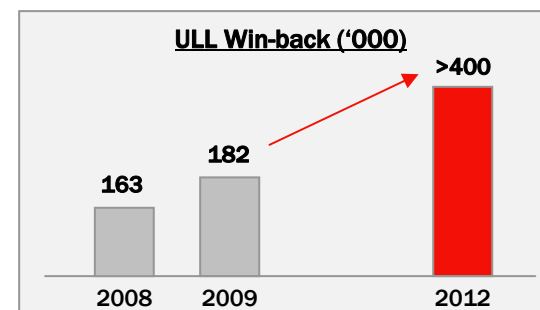
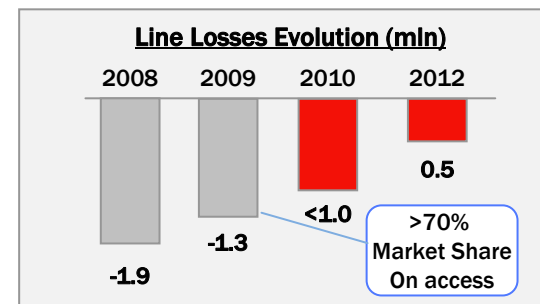
Objectives

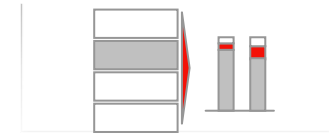
Defend
Customer
Base Value
and minimize
lines loss
reduction

Actions

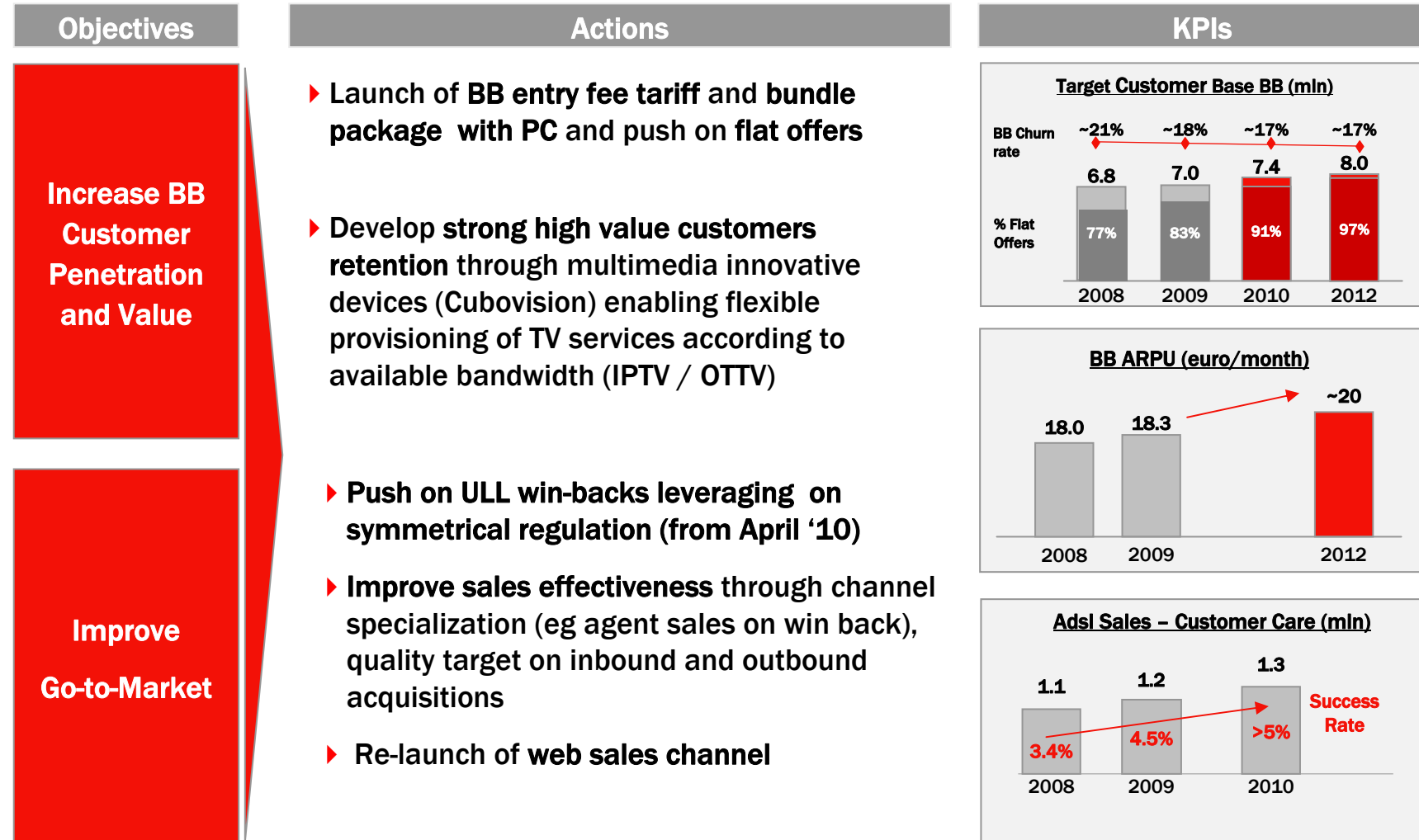
- ▶ **Portfolio simplification and flat offers deployment to increase value for money perception and reduce impact of traffic erosion**
- ▶ **Differentiated caring approach based on segments and needs**
- ▶ **Continuous quality improvement (fault rate and repair time) to sustain loyalty**
- ▶ **Retention/pre-retention inbound and outbound (**churn predictive models**) with customized offers on specific targets**
- ▶ **Distinctive communication format with stable presence in the media**

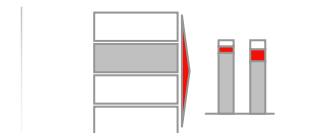
KPIs





Task #2 Consolidate Positive Fixed Momentum





Task #2 Fixed – Early Evidence

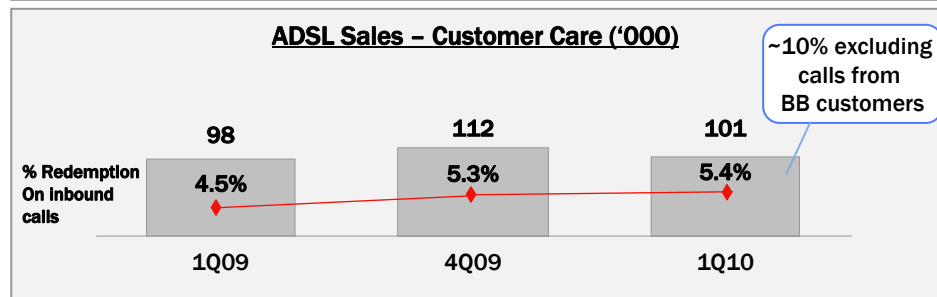
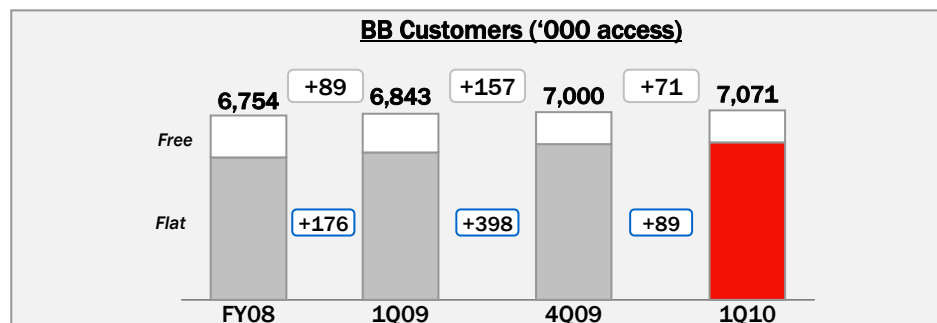
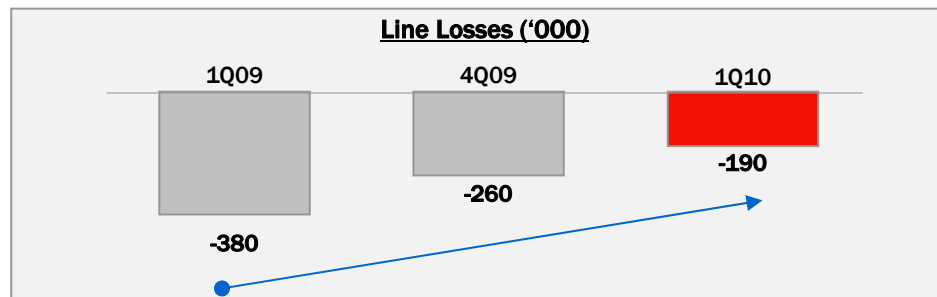
Objectives

Defend
Customer
Base Value

Increase
BB Customer
Value

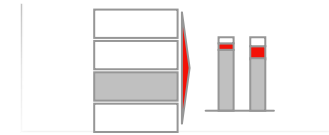
Improve
Go-to-Market

KPI's



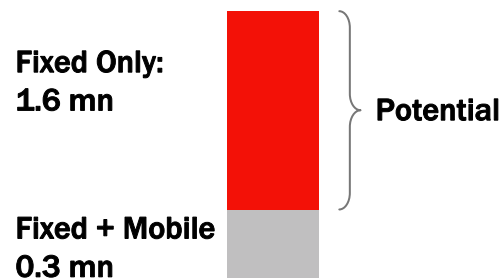
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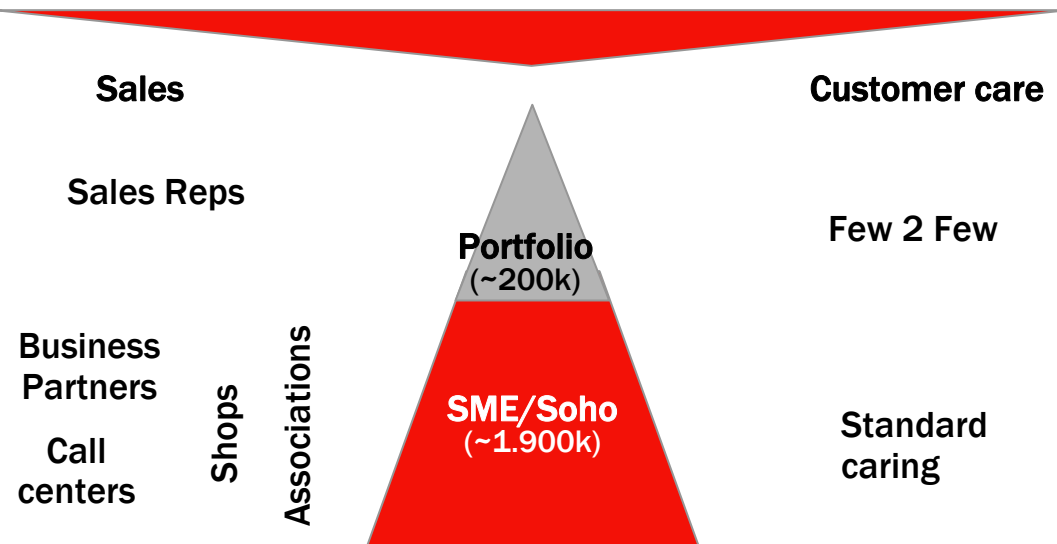


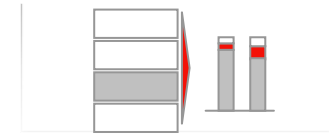
Task #3 Integrated Approach: Focus on the Business Segment

Offering	Sales	Customer Operations
<ul style="list-style-type: none"> ▶ “Impresa Semplice” new Business concept ▶ Tra Noi”, first convergent offer ▶ “Leverage on fixed customer base exploiting convergent offering and communication 	<ul style="list-style-type: none"> ▶ Sales network is already F/M integrated, with differentiated channels ▶ High End customers “Portfolio” (200k), that generate 40% of tot revenues, have a dedicated Sales representatives and few2few Customer Operations team 	<ul style="list-style-type: none"> ▶ Integrated Customer Operations with single segmentation for fixed and mobile customers ▶ Same segmentation as Sales



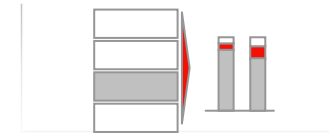
- ▶ “Ready to use basic ICT offering



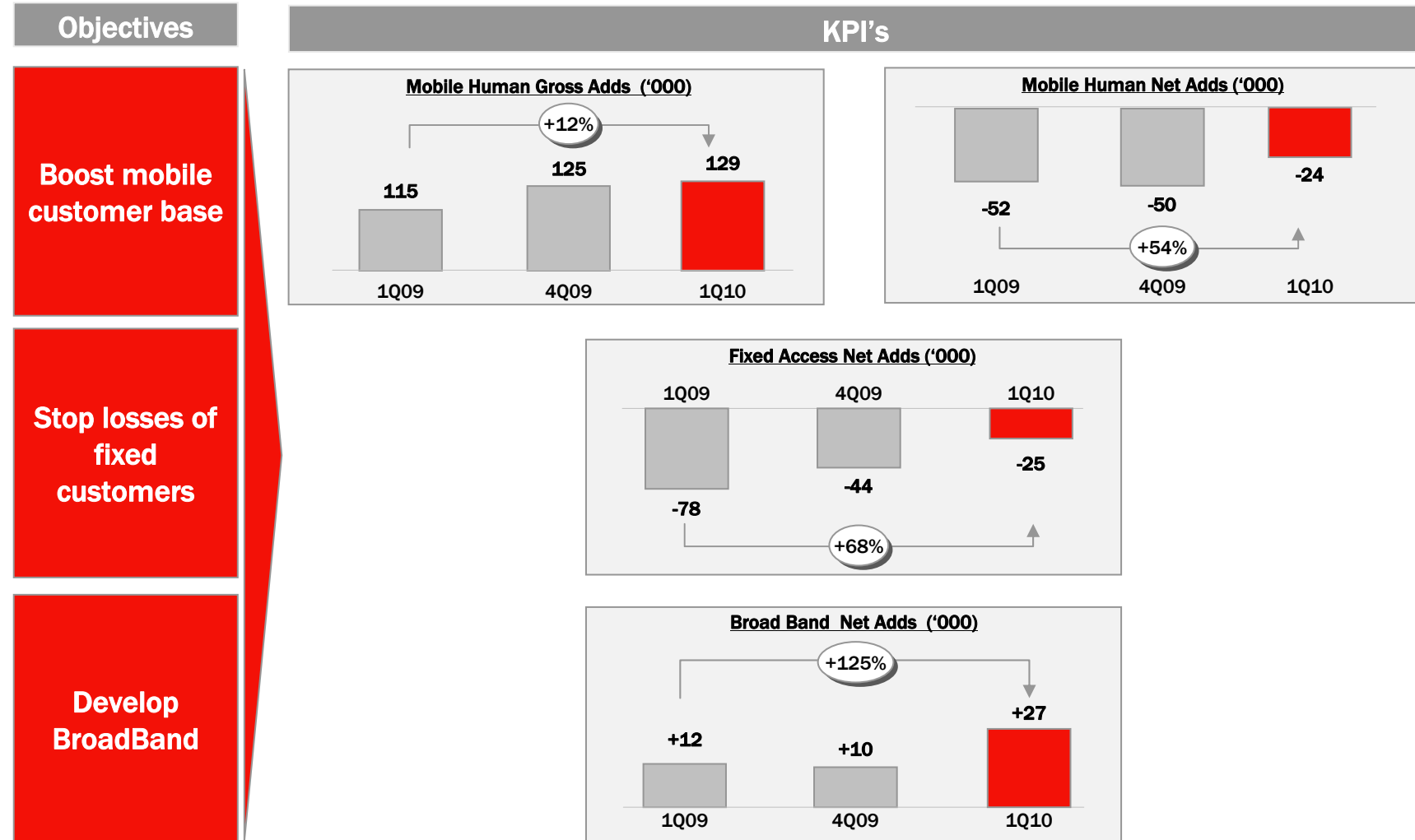


Task #3 Integrated Approach: Up / Cross Selling for Business Segment

Objectives	Actions	KPIs																
Boost mobile customer base	<ul style="list-style-type: none"> ▶ Leverage on integration to: <ul style="list-style-type: none"> ▶ Increase mobile penetration on fixed customer base ▶ Improve loyalty and reduce churn ▶ Leverage on cross selling opportunities 	<p>Mobile Human - Net Adds ('000)</p> <table border="1"> <tr> <th>Year</th> <td>2008</td> <td>2009</td> <td>2010</td> <td>2012</td> </tr> <tr> <th>Net Adds ('000)</th> <td>-37</td> <td>-161</td> <td>79</td> <td>+160</td> </tr> </table>	Year	2008	2009	2010	2012	Net Adds ('000)	-37	-161	79	+160						
Year	2008	2009	2010	2012														
Net Adds ('000)	-37	-161	79	+160														
Stop losses of fixed customers	<ul style="list-style-type: none"> ▶ Strengthen win back and customers' lock-in and loyalty thanks to convergence (fixed-mobile integration, single billing, single caring) 	<p>Fixed Line Losses ('000)</p> <table border="1"> <tr> <th>Year</th> <td>2008</td> <td>2009</td> <td>2010</td> <td>2012</td> </tr> <tr> <th>Losses ('000)</th> <td>-266</td> <td>-235</td> <td>-194</td> <td>-42</td> </tr> </table>	Year	2008	2009	2010	2012	Losses ('000)	-266	-235	-194	-42						
Year	2008	2009	2010	2012														
Losses ('000)	-266	-235	-194	-42														
Stabilize revenues	<p>Stabilize revenues by:</p> <ul style="list-style-type: none"> ▶ Shifting competition from price to innovation and quality of service ▶ Increasing share of wallet on integrated customers 	<p>ARPU (€/month/SIM)</p> <table border="1"> <tr> <th>Category</th> <th>Year</th> <th>ARPU (€/month/SIM)</th> <th>CAGR '09-'12</th> </tr> <tr> <td rowspan="2">Voice*</td> <td>2009</td> <td>46</td> <td rowspan="2">~ -3%</td> </tr> <tr> <td>2012</td> <td>~ -3%</td> </tr> <tr> <td rowspan="2">BB**</td> <td>2009</td> <td>23</td> <td rowspan="2">~ -11%</td> </tr> <tr> <td>2012</td> <td>~ -11%</td> </tr> </table>	Category	Year	ARPU (€/month/SIM)	CAGR '09-'12	Voice*	2009	46	~ -3%	2012	~ -3%	BB**	2009	23	~ -11%	2012	~ -11%
Category	Year	ARPU (€/month/SIM)	CAGR '09-'12															
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BB**	2009	23	~ -11%															
	2012	~ -11%																

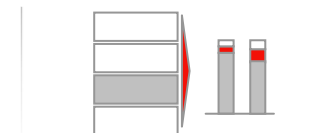


Task #3 Business Segment – Early Evidence



Agenda

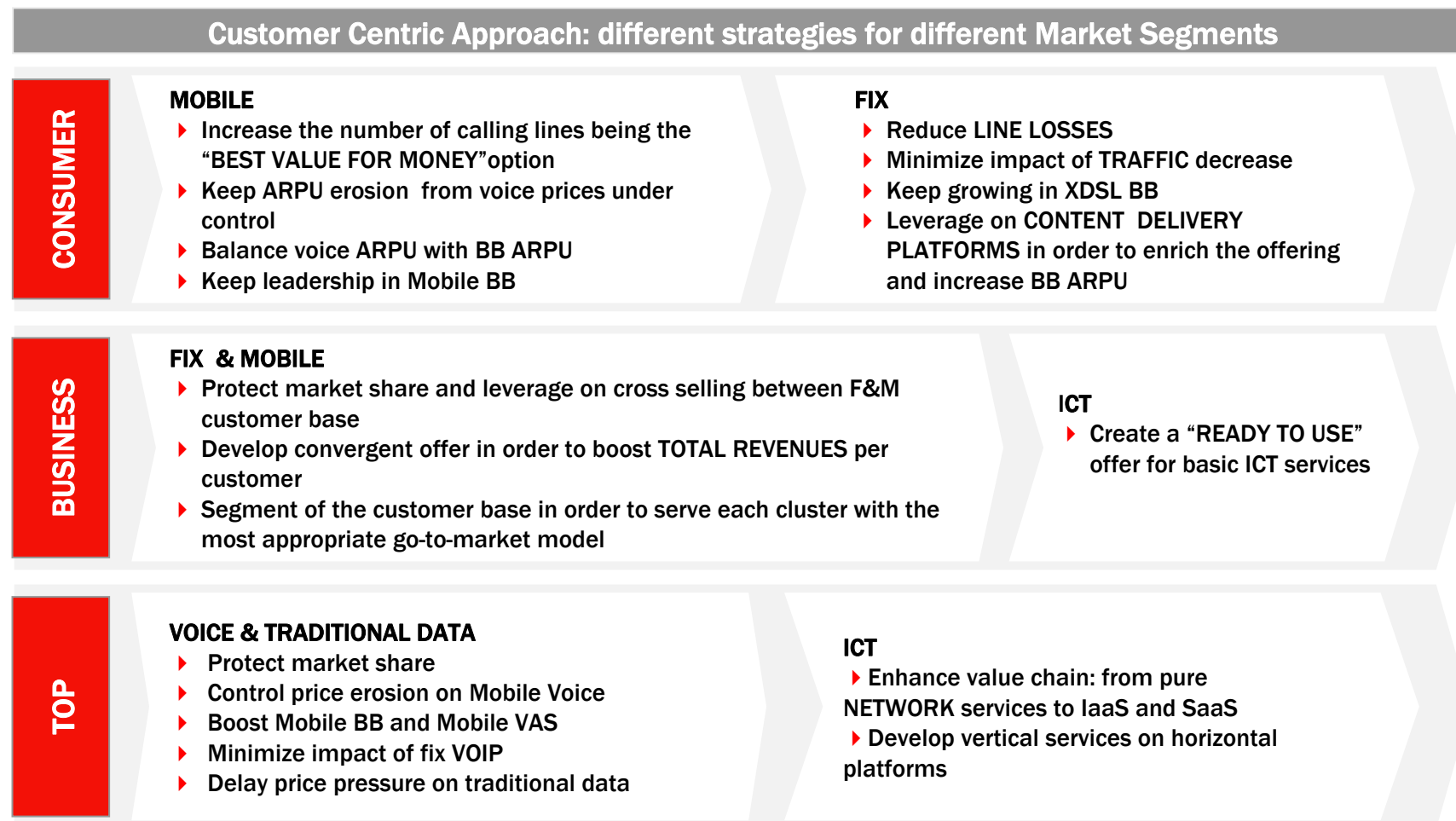
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Task #4 Continue to Attack Adjacent Services – Especially on TOP Clients

Objectives		Actions	KPIs
ICT	Become the leader in extended infrastructure services	<ul style="list-style-type: none"> ▶ Extension of Data center proposition to fully support the Virtualization model (Server, Networking, Storage, IP PABX, Desktop) ▶ Selective innovation regarding SaaS ▶ Bundling of TLC, infrastructure services and new offers 	<p>ICT Revenues (€ mln)</p> <p>831 (2009) → 1,342 (2012) ~+17%</p> <p>ICT Market Share*</p> <p>~11% (2009) → ~17% (2012)</p> <p>* Addressable market Top Client</p>
	Rationalize the partnership model and develop the vertical markets		
Digital ADV	Focalize Matrix mission towards an Information Provider role	<ul style="list-style-type: none"> ▶ Reinforce Virgilio leadership in the digital advertising through vertical communities and customizable editorial offering ▶ Develop profiling assets and capabilities in IP/Network, Web and Positioning profiling 	<p>Matrix – Revenues (€ mln)</p> <p>137 (2009) → 154 (2010) → ~200 (2012) ~+13%</p>

Domestic Take-away: Where does the “Reverse Revenues Trend” come from?

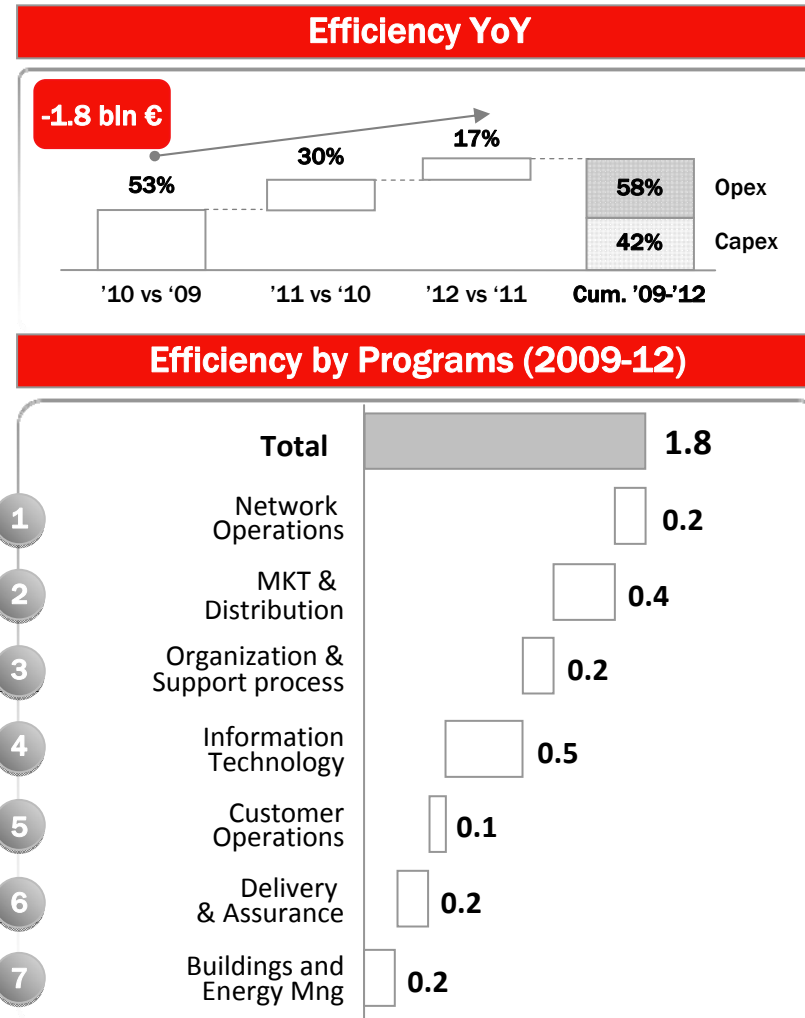
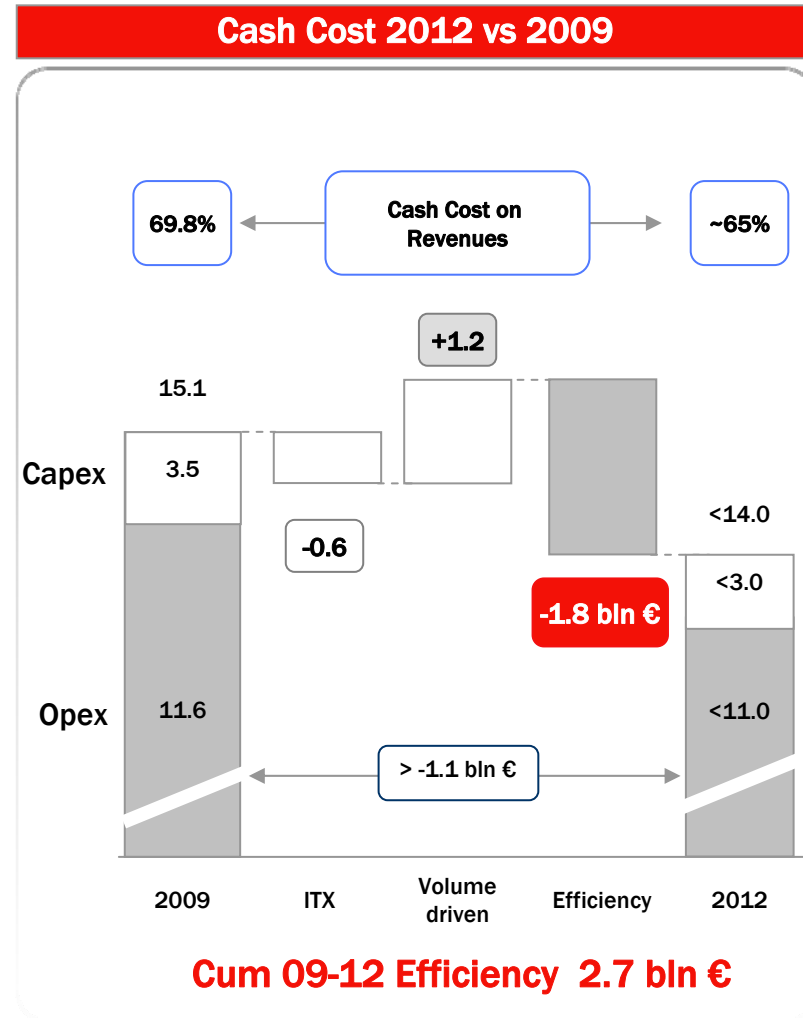


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Task #5 Cash Cost Rationalization and Efficiency Plan

Euro bln, Organic Data



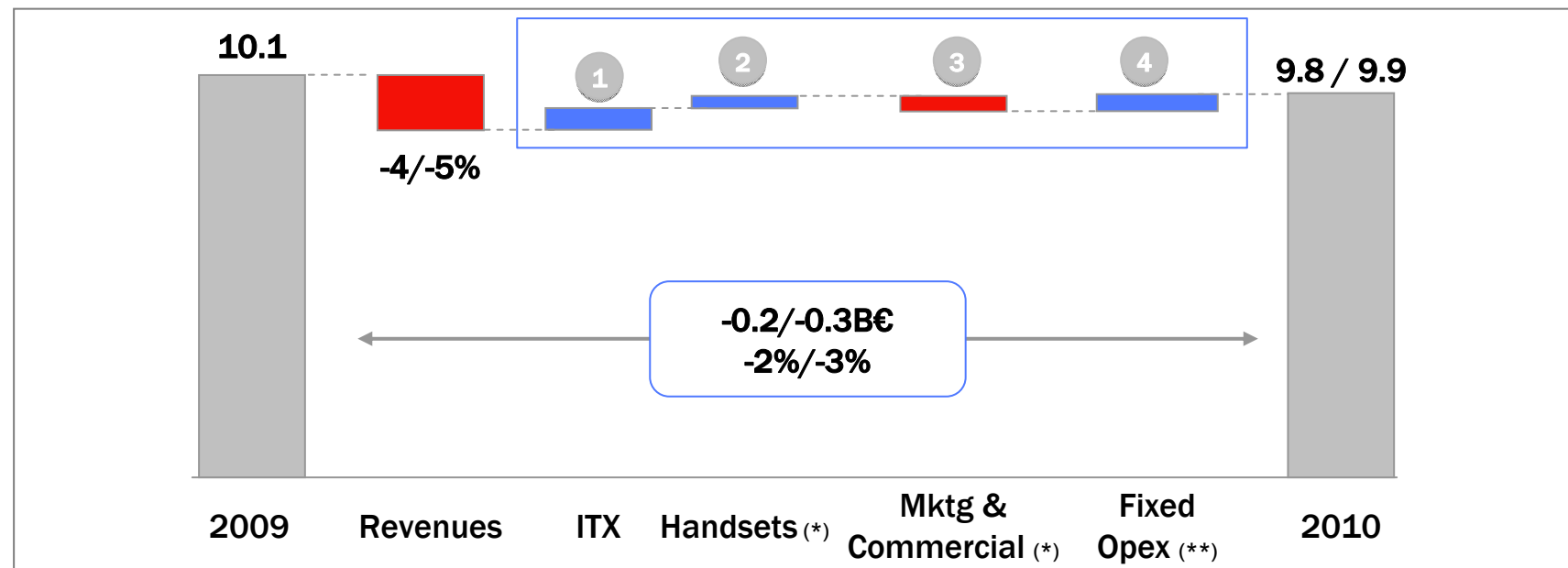
Task #5 Domestic: Focus on Efficiency Plan 2009-2012

Euro bln, Organic Data, %

Delta Cash Cost 2012 vs 2009			Δ ITX	Δ Vol. Driven	Δ Efficiency	Netwk Ops	Mktg & Distrib.	Org. & Support	IT	COP	Delivery & Assur.	Building & Energy
	FY09	Δ Abs '12 vs '09										
Total Opex	11.6	-0.6	-0.6	+1.0	-1.0		-0.4	-0.2	-0.1	-0.1	-0.1	-0.1
ITX	3.1	-0.6	-0.6	-	-							
Mktg & Sales	3.2	+0.1	-	+0.5	-0.4		●			●		
Industrial	1.1	Flat	-	+0.1	-0.1				●		●	●
Personnel	3.3	-0.1	-	+0.3	-0.4	●	●	●	●	●	●	●
G&A & Other	0.9	-0.1	-	+0.1	-0.2			●				●
Total Capex	3.5	-0.5	-	+0.2	>-0.7	-0.2			-0.4		-0.1	-0.1
Total Cash Cost		>-1.1	-0.6	+1.2	-1.8	-0.2	-0.4	-0.2	-0.5	-0.1	-0.2	-0.2

Focus on 2010 Domestic EBITDA

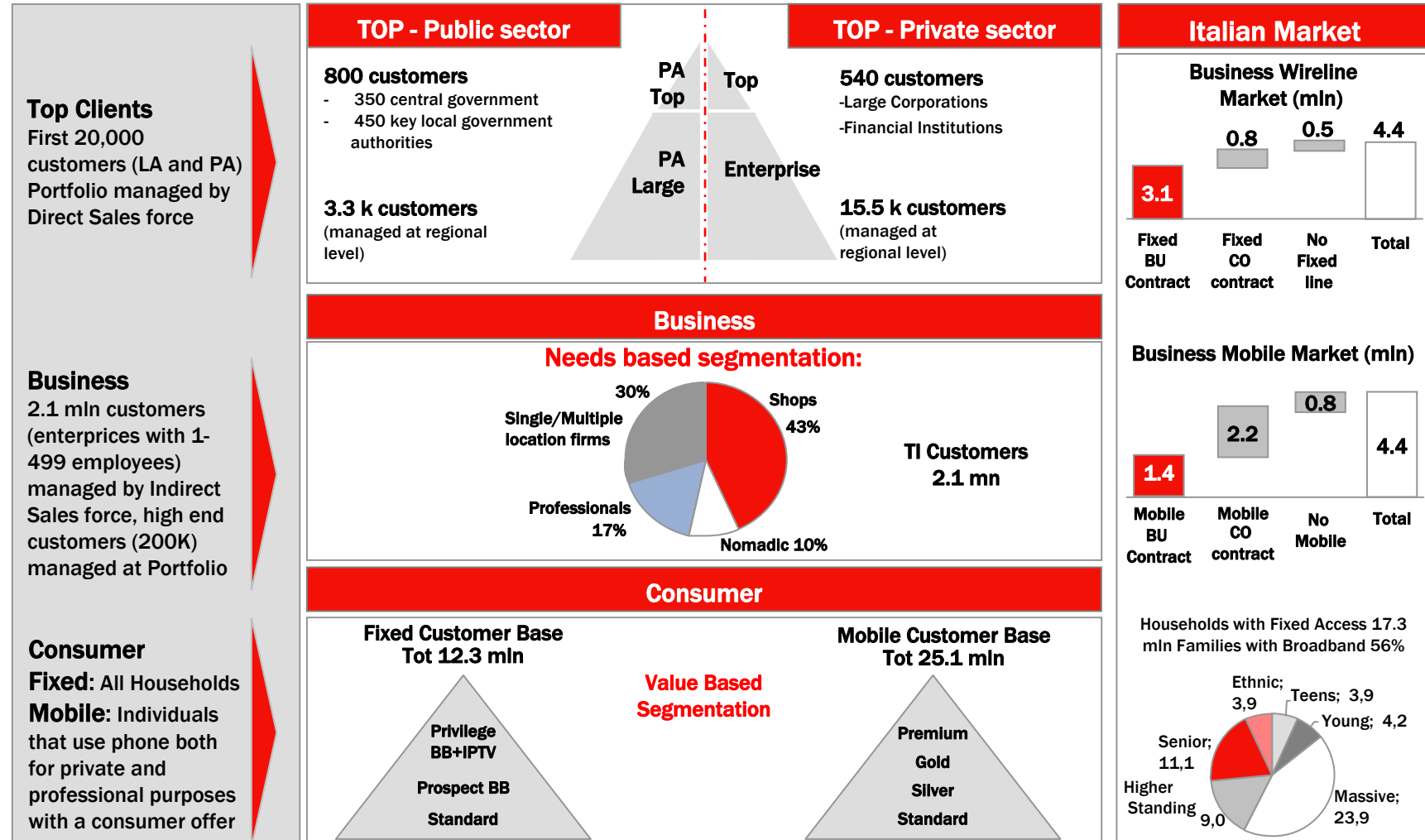
Euro million, Organic Data, %



<p>1 Focusing MTR impact and on on-net traffic</p>	<p>3 Supporting Commercial Turnaround</p>
<p>2 Completing Revenues mix re-engineering</p>	<p>4 Progressing on efficiency programs</p>

Back up

DMO – Market by Segments



Task #5 Efficiency Programs Extension and New Operating Model

