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.

Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors. 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 Spa 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 Spa business or acquisition strategy 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

- Global TLC Scenario
- Telecom Italia Strategy
- Key 1H09 Progress
**Global TLC: Scenario 2009-2011**

<table>
<thead>
<tr>
<th>Macroeconomic and Industry trends</th>
<th>TLC recovery expected to be early cycle with spending pick up ahead of 2010E economic upturn</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regulation will continue to play a central role in the stance of NGN development</td>
</tr>
<tr>
<td></td>
<td>Voice is moving on Mobile with <strong>BB remaining the growth engine</strong></td>
</tr>
</tbody>
</table>

| Technological developments       | Revenue and Traffic decoupling driven by strong BB growth                                      |
|                                  | Access capacity and higher speed fundamental to provide enhanced user experience               |
|                                  | New technology to reduce cost “per Mbyte” (eg. NGN)                                           |
|                                  | Flexible & Open standard-based architecture to address customer personalized experiences      |

| Incumbent evolution              | Streamline processes and rationalize infrastructure costs to achieve lean operations          |
|                                  | ensuring **efficiency and effective focus on service provision**                            |
|                                  | Intra-market consolidation to improve competitive positioning and increase economies of scale |
|                                  | Opportunities arising from converging markets trigger new models of competition/cooperation  |
## Global TLC: Main New Growth Drivers

### Converging Markets

<table>
<thead>
<tr>
<th>TLC- Media</th>
<th>TLC-IT</th>
<th>TLC- Devices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TLC- Media</strong></td>
<td><strong>IT as Utility</strong></td>
<td><strong>Networked devices</strong></td>
</tr>
<tr>
<td></td>
<td><strong>IT as Utility</strong></td>
<td><strong>Networked devices</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Service Oriented Architecture</strong></td>
<td><strong>Machine to machine development</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Major trends

- Multiplatform content and applications distribution
- Audience share migration towards digital platforms
- IT as Utility
- Service Oriented Architecture
- Virtualization of Infrastructure
- Networked devices
- Machine to machine development

### Business opportunities

- IPTV, Web TV
- Distribution Platforms & Toll Roads
- Digital Marketing & Advertising
- Digital Utilities
- Cloud & Grid Computing
- Software as a Service
- Enterprise 2.0
- Digital Connected Homes
- Telemetric services
- Payments

### Market size

<table>
<thead>
<tr>
<th>IPTV Subscribers Worldwide (mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008: 19.6, 2011: 46.2</td>
</tr>
<tr>
<td>Multiplied by 2.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual Sales Worldwide (USD Bln)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>BB CPE Forecast (mln units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB Modems: 2008: 3%, 2009: 18%, 2010: 4%</td>
</tr>
<tr>
<td>Residential Gateways: 2008: 18%, 2009: 4%</td>
</tr>
<tr>
<td>Routers: 2008: 3%, 2009: 18%, 2010: 4%</td>
</tr>
</tbody>
</table>

---

**Technological evolution drives convergence stimulating customer needs creating new opportunities for Telcos**

*Source: Gartner, **Source: IDC, Bain, ***Source: In-Stat*
Agenda

- Global TLC Scenario
- Telecom Italia Strategy
- Key 1H09 Progress
Telecom Italia: the Transformation Underway

**Focus on Core Markets: Italy & Brazil**
- Deliver superior Customer Experience
- Efficiency on Operating Expenses (“Lean & Clean”)
- Improve Regulatory Dialogue
- Rebound & Consolidation in Brazil

**Capital Discipline**

**Enhanced Free Cash Flow Generation**

**Deleverage & Strengthen Balance Sheet**

**A Platform to Create Solid Growth of Shareholder Value**
**TI: Advantages Gained through a Customer Centric Model**

**Key Advantages**

- **Offer**
  - Increasingly “tailored” approach to client segments

- **Sales & Distribution**
  - Rationalization and E2E management to improve go2market keeping costs in check

- **Customer Operations**
  - Process reengineering bettering quality of service delivering cost efficiencies

**Key Rationales**

- F-M-ICT integration to address business client needs
- Deeper segmentation keeping F-M-BB offers “separate”

**Upselling/ Cross selling Potential**

- **CLIENT BASIN**
  - Tim 4 mln
  - Brizzio 7 mln
  - SoHo 15 mln
  - No Telecom Italia 8 mln

**FTE Reduction**

- **Integration**
  - Integrated caring to improve customer satisfaction
  - Rationalize Headcount ‘08–’11 FTE Reduction:

<table>
<thead>
<tr>
<th>Jan 1, 08</th>
<th>Dec 31, 11</th>
</tr>
</thead>
<tbody>
<tr>
<td>13,700</td>
<td>11,550</td>
</tr>
</tbody>
</table>

* FTE related to efficiency Program, includes MKT Support & DA FTE
**TI: Domestic Cash Costs Rationalization**

### Network Evolution

- **“ALL-IP” NETWORK**
- Infrastructures simplification and rationalization
- E2E “customer centric” process reengineering
- Organization simplification and rightsizing

### Lean Company

- Cash Cost/Sales
  - '08: 71.9%
  - '11: 66.6%
- Opex/Sales
  - '08: 56.2%
  - '11: 53.3%
- Capex/Sales
  - '08: 15.7%
  - '11: 13.3%

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* Organic data

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Marco Patuano, Telecom Italia/CFO
TI: Playing Regulatory Forces Positively

**Key Highlights**

- Withdrawal of obligations from relevant markets as by EU Recommendation
- Elimination of asymmetry in migration procedures between TI and OLOs
- Review of “price squeeze” tests for bundles

**Main Advantages**

- Improve competitiveness of TI Retail Divisions
- Create conditions of “fair and symmetric” competition with OLOs

**Retail Regulated Markets**

- Withdrawal of obligations from relevant markets as by EU Recommendation
- Elimination of asymmetry in migration procedures between TI and OLOs
- Review of “price squeeze” tests for bundles

**Wholesale Regulated Mkts**

- Orientation of access charges to fwd-looking incremental costs, upping ULL rental fee
- Symmetry of F-F termination
- Safeguard M-voice termination as set by NRA

**NGAN**

- Limit NGAN rules to TI Undertakings approved by NRA
- Avoid competitive disadvantages due to regulation of access to active elements of NGAN
- Exploit advantages of “Risk sharing” where co-investment agreements viable

- Avoid undue competitive disadvantages due to prices lower than the economic value of the acquired network services
- Recover all incurred network costs
- Generate positive cash flow to invest in maintenance and update of traditional network
## TI: Making Infrastructure a Competitive Advantage

### Key features

<table>
<thead>
<tr>
<th>Integrated network</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Integrated</td>
</tr>
<tr>
<td>- OSS and BSS systems</td>
</tr>
<tr>
<td>- Service platform</td>
</tr>
<tr>
<td>- multimedia contents</td>
</tr>
<tr>
<td>- ICT services for business customers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>All IP Architecture</th>
</tr>
</thead>
<tbody>
<tr>
<td>- “All IP” backbone and transport network supporting voice, data</td>
</tr>
<tr>
<td>- Extensive “All IP” coverage reaching all metropolitan areas</td>
</tr>
<tr>
<td>- Ready to support Next Generation Services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Data Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 3 Campus Data Centers, 460 IT applications for internal processes and ICT offer</td>
</tr>
<tr>
<td>- 2K internal servers, 28K CPU, 7000 Tbyte of managed storage capacity</td>
</tr>
</tbody>
</table>

### Main Advantages

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>- Seamless experience across different technologies</td>
</tr>
<tr>
<td>- Deeper customer knowledge with more effective CRM capabilities</td>
</tr>
</tbody>
</table>

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Handling 600 gigabit/s in 2008, 1800 gigabit/s in 2011</td>
</tr>
<tr>
<td>- Huge backhauling capacity to support mobile Ultra BB growth</td>
</tr>
<tr>
<td>- CAPEX and OPEX aligned to the best practices</td>
</tr>
<tr>
<td>- Acquisition of third mobile carrier</td>
</tr>
</tbody>
</table>

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>- Strong position to support increasing penetration of net centric application (Cloud Computing, Software as a Service, etc...)</td>
</tr>
<tr>
<td>- Positive contribution to safeguard environment thanks to a lower Energy consumption (-40%)</td>
</tr>
</tbody>
</table>

---

No cable operators in Italy, TI is the main fiber provider.
Brazil: Realize Full Potential of Brazilian Asset

Key Macro-Economic Trends

- Nominal GDP return to growth: rebound as of 2Q 09 and 2010 still ~4%*
- Above average salary growth
- Investment Grade Sovereign Rating
- Improving country risk profile across the economic crisis

Key TLC Industry Trends

- Strong TLC market growth with penetration rapidly approaching 100%
- Underpenetrated wireline market due to low competition
- Significant demand for BB services
- Fierce competition resulting from 4 strong nationwide player putting profitability under pressure

TIM Brasil Drivers of Success

- Commercial strategy strongly focused on valuable clients (post-paid, MNP) & superior CCare
- Push F-M substitution leveraging on a pure mobile positioning
- Further improve structural efficiency (IT, network) & sales channels rationalization

* Source: Global Insight July 2009
** Sept 2009

Marco Patuano, Telecom Italia/CFO
TI: FCF Generation a Key Reference in Managing Business

Strong cost flexibility

Group OPEX 1H09

- Revenue Driven *

Aggressive efficiency program

Org. Domestic Cash Costs (€ Bn)  Domestic Headcount ('000)

'08 GROWTH EFFICIENCY '11 Jan 1, 08 July 31, 09 '11 YE

'08 64.1 /

-1.0 ~ -2.0 64.1 /

59.1 55.1

Strong FCF generation even in a difficult scenario

€ Bn

~22 ~13 ~9

Operating FCF Tax cash-out & Financial expense Free Cash Flow before disposals

~11-12 including disposals

Progressive deleverage

Spike in cash tax payment (~2.3 € Bn)

-3x ~2.9x 2.65x ~2.3x

Net debt to EBITDA

2008 2009 2010 2011

* COGS + Commercial OPEX

Marco Patuano, Telecom Italia/CFO
**Agenda**

- Global TLC Scenario
- Telecom Italia Strategy
- Key 1H09 Progress
GRUPPO TELECOM ITALIA

Italian Investor Conference
Tokyo, 13 October 2009

TI Group 1H 09 Progress Report

Focus on Core Markets

- Reshaped Revenue Mix
- Recovered in Fixed Business
- Late on Consumer Mobile Performance

Domestic

- Enhanced Regulatory Dialogue
- Improved Customer Satisfaction

- Continued Cash Cost Rationalization

Brazil

- Reversed Commercial Kpis

- Safeguarded Profitability

Financial Discipline

- Refinancing Completed

- Reduced Average Cost of Debt

Stabilize Ebitda and Improve Free Cash Flow Generation
Improved Operating Cash Flow

Euro mln, Reported data
TI Group Improved Profitability: Organic Results vs. 2008

**Euro mln, %**

### Revenues

<table>
<thead>
<tr>
<th></th>
<th>I Half 08</th>
<th>I Half 09</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>14,507</td>
<td>13,953</td>
<td>-554M€</td>
<td>-3.8%</td>
</tr>
<tr>
<td>TIM Brasil</td>
<td>2,252</td>
<td>2,299</td>
<td>+47</td>
<td>+2.1%</td>
</tr>
<tr>
<td>Domestic</td>
<td>11,428</td>
<td>10,891</td>
<td>-537</td>
<td>-4.7%</td>
</tr>
</tbody>
</table>

### Opex

<table>
<thead>
<tr>
<th></th>
<th>I Half 08</th>
<th>I Half 09</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>8,748</td>
<td>8,206</td>
<td>-542M€</td>
<td>-6.2%</td>
</tr>
<tr>
<td>TIM Brasil</td>
<td>1,790</td>
<td>1,743</td>
<td>-47</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Domestic</td>
<td>6,202</td>
<td>5,799</td>
<td>-403</td>
<td>-6.5%</td>
</tr>
</tbody>
</table>

### EBITDA

<table>
<thead>
<tr>
<th></th>
<th>I Half 08</th>
<th>I Half 09</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>5,759</td>
<td>5,747</td>
<td>-12M€</td>
<td>-0.2%</td>
</tr>
<tr>
<td>TIM Brasil</td>
<td>462</td>
<td>556</td>
<td>+94</td>
<td>+20.4%</td>
</tr>
<tr>
<td>Domestic</td>
<td>5,226</td>
<td>5,092</td>
<td>-134</td>
<td>-2.6%</td>
</tr>
</tbody>
</table>
### Domestic: a Revised Revenues Mix...

<table>
<thead>
<tr>
<th>EBITDA Margin</th>
<th>I Half '09</th>
<th>Change YoY</th>
<th>Strategic Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT Services</td>
<td></td>
<td>18%</td>
<td>Growth</td>
</tr>
<tr>
<td>Mobile BroadBand</td>
<td></td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Wireline BroadBand</td>
<td></td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Wireline Access*</td>
<td>-3%</td>
<td>0%</td>
<td>Defend &amp; Recover</td>
</tr>
<tr>
<td>Outgoing Mobile Voice</td>
<td>-3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile Messaging</td>
<td>-5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireline Business Data</td>
<td>-7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outgoing Fixed Voice</td>
<td>-13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireline Handsets</td>
<td>-9%</td>
<td></td>
<td>Reduce</td>
</tr>
<tr>
<td>Mobile Handsets</td>
<td>-30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireline Voice VAS</td>
<td>-22%</td>
<td></td>
<td>Reposition</td>
</tr>
<tr>
<td>Mobile VAS Content</td>
<td>-29%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(*) Retail and Wholesale (includes Naked Fees)
**TI: First Showings from the Adoption of Customer Centric Model**

**TOP/ SME Business**

- **Italian ICT Market (€bln):**
  - 2008: 4.6, Share: 7.1%
  - 2009: 4.2, Share: 9.0%

**Consumer**

- **ARPU TIM Premia:**
  - Target: 2x
  - > 1 Million in 4 months from launch

**Main 4Q 09 Actions**

- Strong push on acquisitions investing on price elasticity
- New advertising format leveraging on impact and recognizability
- Aligning share of voice and Adv presence to main competitors
- New commissioning scheme to incentivize services and value of acquisitions
- Ongoing rationalization of sales network with introduction of new multi-brand PoS

**Sales & Distribution**

- **Improving Mix of SME Acquisitions**:
  - % Higher /Med value on total adds
  - FY08: 38%, 2Q 09: 52%
  - +14pp

- **Betting Quality of Mobile Acquisitions**:
  - % calling lines/total adds
  - June '08: 60%, June '09: 70%

**Customer Operations**

- In H1, completed alignment between Business F-M client segmentation as first step towards launch of integrated Caring in October 2009:

**Customer Satisfaction (CSI):** from 65 in 2007 YE to 68 in 2009
TIM Brasil: the Path Undertaken with a Focus on Profitability

1Q09A
- Return to n.1 in Brand Awareness
- Focus on 2G network quality reaching highest improvement in Brazilian ranking
  - 2G: excellence in voice
  - 3G: right on spot

2Q09A
- New offer portfolio
  - Infinity prepaid reached 2.5 mln lines in 3 months from launch
- Improving customer satisfaction, overcoming 1st player as of May
- Market share progressively increasing to 23.7%
  - TIM n.1 in net adds share

3Q09E
- Focus on fostering usage
- Increase market share:
  - Postpaid voice
  - Push on prepaid Infinity

4Q09E
- Commercial Push
- Dubling Node-B in 3G coverage
- Closing Intelig and first synergies captured
- Back to Top of Mind and Customer Preference

Restructuring the company, recovering strong positioning, sustaining profitability and cash flow
GRUPPO TELECOM ITALIA

Italian Investor Conference
Tokyo, 13 October 2009

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