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Agenda

- Domestic Repositioning Path
  - Mobile Business
  - Fixed Business
  - Focus on Sales Channel Restructuring

- Outlook
Domestic Revenues – 1Q2010 Results

Euro mln, Organic Data

Domestic Revenues by Technology

-7.1% Reduction

Domestic Revenues by Customer Segment

-7.1% Reduction
Keep Building Momentum on TI Perception

Customer Satisfaction Index – Fixed

Customer Satisfaction Index – Mobile

Source: GFK Eurisko

MARCO PATUANO
Domestic Strategy across all Segments

Mobile

- Quality & Performance
- Caring & Reliability
- Value for Money

Fixed

- New approach on the Value Chain
- Breaking the scheme with “Impresa Semplice”

- Simplicity & Affordability

- Consumer
- Business
- Professional
- Elite

Quality & Value
Agenda

- Domestic Repositioning Path
  - Mobile Business
  - Fixed Business
  - Focus on Sales Channel Restructuring

- Outlook
# Mobile Strategy: Be the “Best Value for Money” Choice

## Objectives

<table>
<thead>
<tr>
<th>Market share increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile BB consolidating leadership</td>
</tr>
</tbody>
</table>

## Actions

### Consumer

- Simplified Portfolio offering to strengthen Gross Adds and MNP tactics
- Create and Develop Community (TIM X)
- Boost Ethnic segment penetration with vertical offering
- Advertising pressure with focus on product key-benefits
- Consumer Sales Network restructuring: focus on Franchising & Dealer Multibrand, restyling PoS, new commissions model

### Business

- Leverage on Integration to:
  - Increase mobile penetration on fixed customer base
  - Improve loyalty and reduce churn
- Leverage on cross selling opportunities
- Strengthen win back and customers’ lock-in and loyalty thanks to convergence
- Shifting competition from price to innovation and quality of service
- Integrated Customer Operations
- Prepaid offer for Business customers

- Leadership on high speed technology
- Focus on medium users to defend price per MB
- Review of Handsets portfolio to stimulate services: automatic upgrade of e-mail and mobile BB
- Taylor-made e-mail offerings for low and heavy users
Mobile Turn-around Strategy by Segment

Price Positioning Evolution

Relative price positioning heavily impacted by consumer repricing

TIM Price Premium*

Re-aligning relative pricing but still price premium brand

New Portfolio Offers

Elite

- Tutto Compreso 1500
- Tutto Compreso 1000

Professional

- Tutto Compreso 500
- Tutto Compreso Ricaricabile

Mass Market

- TIMx

Quality & Value

* Voice revs / total traffic volumes

MARCO PATUANO
Relinforce Leadership on Mobile Data

### Mobile BB: the growth wave

<table>
<thead>
<tr>
<th>Year</th>
<th>Italian Mobile BB Market (Value) (Bn €)</th>
<th>Italian Mobile BB Users (mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1.4</td>
<td>8.2</td>
</tr>
<tr>
<td>2009</td>
<td>1.6</td>
<td>11.3</td>
</tr>
<tr>
<td>2010</td>
<td>1.8</td>
<td>14.8</td>
</tr>
<tr>
<td>2012</td>
<td>2.3</td>
<td>23.5</td>
</tr>
</tbody>
</table>

**CAGR '09-'12** +14.5%

### TIM strategy to reinforce leadership

- **Network**
  - Over 80% UMTS coverage
  - HSPA @ 14.4 Mbps already available on all TIM network

- **Offers & tariffs**
  - Transparent and competitive portfolio offer
  - Internet Pack: the concept that changed the market

- **Devices**
  - Internet keys appealing, easy to use, self-installing, PLUG&PLAY

---

Unmatched Proposition for Network Performance and Devices
Smartphone Market: A Key Driver for Growth

**Smartphone Market**

- **Italian Market** (excluding Free Market):
  - **Volume**:
    - 2009: 259
    - 2010: 834
    - +222% (15pp)
  - **Market Share**:
    - 2009: 28%
    - 2010: 43%
  - **Volumes ~41%**
  - **Value ~47%**

**Source**: GFK, panel retail

- **Average Price/unit** (excluding TIM):
  - 2009: 345
  - 2010: 250
  - -27%

- **Average Price/unit** (Including TIM):
  - 2009: 378
  - 2010: 349
  - -8%

**TIM Strategy on ARPU driven Smartphones**

- **Smartphones**:
  - Key driver for higher quality customers (lower churn, higher ARPU)

**TIM Smartphone Adopters ARPU**

- **Ex-ante Smartphone adoption (Nov 09)**
  - Ex-ante Smartphone adoption (Nov 09)
  - Ex-post Smartphone adoption (Mar 10)
  - +20%
  - ~2x ARPU Ceiling (end)

**TIM Micro-browsing Users ARPU**

- **Value ~49%**

**Ad-hoc offering to stimulate Data usage**:

- "TIMx Smartphone": up to 200MB of data traffic at 2€/week

**Smartphone Portfolio**

- **13 cutting-edge devices for all customer segments**

**Focus on high-end, service enabler Smartphones**
Mobile - New Communication Strategy

- Continuous TV presence
- New format and testimonials
- Advertising campaigns strongly focused on the offers
- Focus on quality, value for money and “fair” offers
- Leadership in Advertising Awareness

Advertising Investments (GRP’s)

Spontaneous Advertising Awareness

Source: STP GFK Eurisko
Mobile - Main Evidences

Value Customers

"Tutto Compreso" Gross Adds *

Jan10 - Apr10

(*): pre-paid & post-paid

Community Users

TIMX Users

Sept09 - May10

Stabilized

Customer Base Calling - Change YoY (’000)

1Q09 2Q09 3Q09 4Q09 1Q10

-762 -544 -537 -401

Mobile BroadBand

Internet Pack Activations (’000)

Dec09 - April10

200k

Mobile BB Users (mln)

1Q09 1Q10

3.8 +1.3 +33%

5.1
Agenda

- Domestic Repositioning Path
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- Outlook
### Fixed Strategy: Consolidate Positive Momentum

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Actions</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Defend Customer Base Value and Minimize Lines Loss reduction</strong></td>
<td><strong>Consumer</strong></td>
<td><strong>Launch of new over-the-top services</strong></td>
</tr>
<tr>
<td><strong>Increase BB Customer Penetration and Value</strong></td>
<td>- Portfolio simplification and “NO Canone” offers deployment</td>
<td>- Lead ICT evolution through “Ready to Use” offer and vertical services on horizontal platform</td>
</tr>
<tr>
<td></td>
<td>- Continuous quality improvement to sustain loyalty</td>
<td>- Customer base segmentation in order to serve each cluster with the most appropriate go-to-market model</td>
</tr>
<tr>
<td></td>
<td>- Pre-retention inbound and outbound (churn predictive models) with customized offers on specific targets</td>
<td>- Simplification of Operators migration procedures</td>
</tr>
<tr>
<td></td>
<td>- Distinctive communication format with stable presence in the media</td>
<td>- Defend market share and reduce churn on BB</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Launch of BB entry fee tariff and bundle package with PC and push on flat offers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Cross-selling of Mobile BB to Fixed Customer Base to increase customer value</td>
</tr>
</tbody>
</table>
Fixed - Defend Customer Base Value: Simplified Offer Portfolio

**Consumer**

- VOCE SENZA LIMITI
- INTERNET SENZA LIMITI
- TUTTO SENZA LIMITI

**Business**

- All Inclusive HW + MS Office Pro + PEC + Anti virus + Assistance (36 months instalments)
- First Convergent Option: Free to call solutions for Intercom (F-M, M-F)
- Impresa Semplice: The New Business Concept

- Customer’s first choice with a wide range of Bundled Offers at a fair price to satisfy all customer needs
- Sustain price premium positioning & Improve Quality of Services
- Bundling PC and ICT services to broaden certified @mail and data backup penetration
Fixed - Main Evidences

**Consumer**

### Customer Base ('000)

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>Apr10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Voce Senza Limiti</strong></td>
<td>138</td>
<td>250</td>
<td>126</td>
<td>97</td>
</tr>
<tr>
<td><strong>Internet Senza Limiti</strong></td>
<td>0</td>
<td>126</td>
<td>97</td>
<td>337</td>
</tr>
<tr>
<td><strong>Tutto Senza Limiti</strong></td>
<td>100</td>
<td>177</td>
<td>214</td>
<td></td>
</tr>
</tbody>
</table>

**Line Losses ('000)**

<table>
<thead>
<tr>
<th></th>
<th>1Q09</th>
<th>4Q09</th>
<th>1Q10</th>
<th>Apr10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-380</td>
<td>-260</td>
<td>-196</td>
<td></td>
</tr>
</tbody>
</table>

**% ULL Activated/Acquired (March’10)**

- Average Waiting Days
  - Certified Mail: 39%
  - Rule 274: 61%
  - ~27

**Business**

### “Azienda Tutto Compreso” net adds (4Q09 Avg=100)

<table>
<thead>
<tr>
<th></th>
<th>4Q09</th>
<th>1Q10</th>
<th>Apr10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100</td>
<td>177</td>
<td>214</td>
</tr>
</tbody>
</table>
Domestic - Focus on Efficiency Plan Progress

**Delta Cash Cost 1Q10 vs 1Q09**

<table>
<thead>
<tr>
<th>Category</th>
<th>1Q10</th>
<th>D Abs '10 vs '09</th>
<th>Δ ITX</th>
<th>Δ Vol. Driven</th>
<th>Δ Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Opex</td>
<td>2,513</td>
<td>-303</td>
<td>-100</td>
<td>-62</td>
<td>-141</td>
</tr>
<tr>
<td>ITX</td>
<td>703</td>
<td>-100</td>
<td>-100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mktg &amp; Sales</td>
<td>583</td>
<td>-38</td>
<td>-</td>
<td>-18</td>
<td>-20</td>
</tr>
<tr>
<td>Industrial</td>
<td>243</td>
<td>-13</td>
<td>-</td>
<td>-10</td>
<td>-3</td>
</tr>
<tr>
<td>Personnel</td>
<td>834</td>
<td>-40</td>
<td>-</td>
<td>-4</td>
<td>-36</td>
</tr>
<tr>
<td>G&amp;A &amp; Other</td>
<td>151</td>
<td>-112</td>
<td>-</td>
<td>-30</td>
<td>-82</td>
</tr>
<tr>
<td>Total Capex</td>
<td>752</td>
<td>-81</td>
<td>-</td>
<td>+14</td>
<td>-95</td>
</tr>
<tr>
<td>Total Cash Cost</td>
<td>-384</td>
<td>-100</td>
<td>-48</td>
<td>-236</td>
<td></td>
</tr>
</tbody>
</table>

**Domestic Turn-around Self-financing**
- Energy: -27 mln euro
- Consultancies: -5 mln euro
- Personnel: -36 mln euro
- Customer Care: -15 mln euro
- Advertising: +16 mln euro

**Defending Domestic Profitability**

- EBITDA 1Q09: 2,538 mln euro
- Revenues: 2,461 mln euro
- Δ OPEX: -77 mln euro (-3.0%)

26% of FY10 Target
Agenda

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- Outlook
Consumer Sales Channels: Deep Changes Underway

- **Structure**
  - Change Sales Channel Mix and Size

- **Profitability**
  - Change Commissioning Scheme based on Value
  - Improve profitability (Bill Size)

- **Image**
  - Own Shop Restyling
  - Improve Customer Experience

### Number of Points of Sale
- **2009**
  - Own Shops: ~4,500
  - Franchising: ~2,000
  - Monobrand: ~4,500
  - Multibrand: ~2,000
- **2010**
  - Own Shops: ~6,200
  - Franchising: ~4,500
  - Monobrand: ~6,200
  - Multibrand: ~4,500

### Productivity (Avg.)
- **Mar 09**
  - Weekly Gross Adds/PoS
- **Mar 10**
  - +25% Weekly Gross Adds/PoS

### New Own Shop Layout
**Business Sales Channels: Fully Exploit up/cross Selling Opportunities**

<table>
<thead>
<tr>
<th>Fixed</th>
<th>F &amp; M</th>
<th>Mobile</th>
<th>Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>% su CB</td>
<td>% F&amp;M Customers</td>
<td>% su CB</td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>3%</td>
<td>46%</td>
<td>5%</td>
</tr>
<tr>
<td>Medium</td>
<td>22%</td>
<td>29%</td>
<td>23%</td>
</tr>
<tr>
<td>Low</td>
<td>75%</td>
<td>11%</td>
<td>72%</td>
</tr>
</tbody>
</table>

- Fixed & Mobile Voice
- Taylor made BB configuration + data solutions
- ICT solutions
- Basic and advanced fixed and mobile Voice + BB connectivity
- Traditional F&M voice services
- BB fixed & mobile
- Devices

**Sales Channel Strategy**

- Push on integrated Partner
  - 58% 95%
  - +37pp
  - Jan ‘09 Dec ‘09
- Push on Quality
  - 38% 52% 18% 12%
  - +13pp* -6pp**
  - 4Q08 4Q09 2008 2009

Customers ~1.9 mln ~0.5

* Customer mix: % of High/Medium Human Gross Adds
** Customer quality: Churn rate (%) Gross Adds
Agenda

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### Mobile Business

- Speed-up Gross Adds
- Churn control
- Continuous Mobile BB growing trend and focus on Smartphones
- Availability of Restyled Sales Channels

### Fixed Business

- Churn control
- Confirm 1Q trend on line losses
- Lead the wave of new ICT solutions for SME and SOHO
- Leadership consolidation in BB