

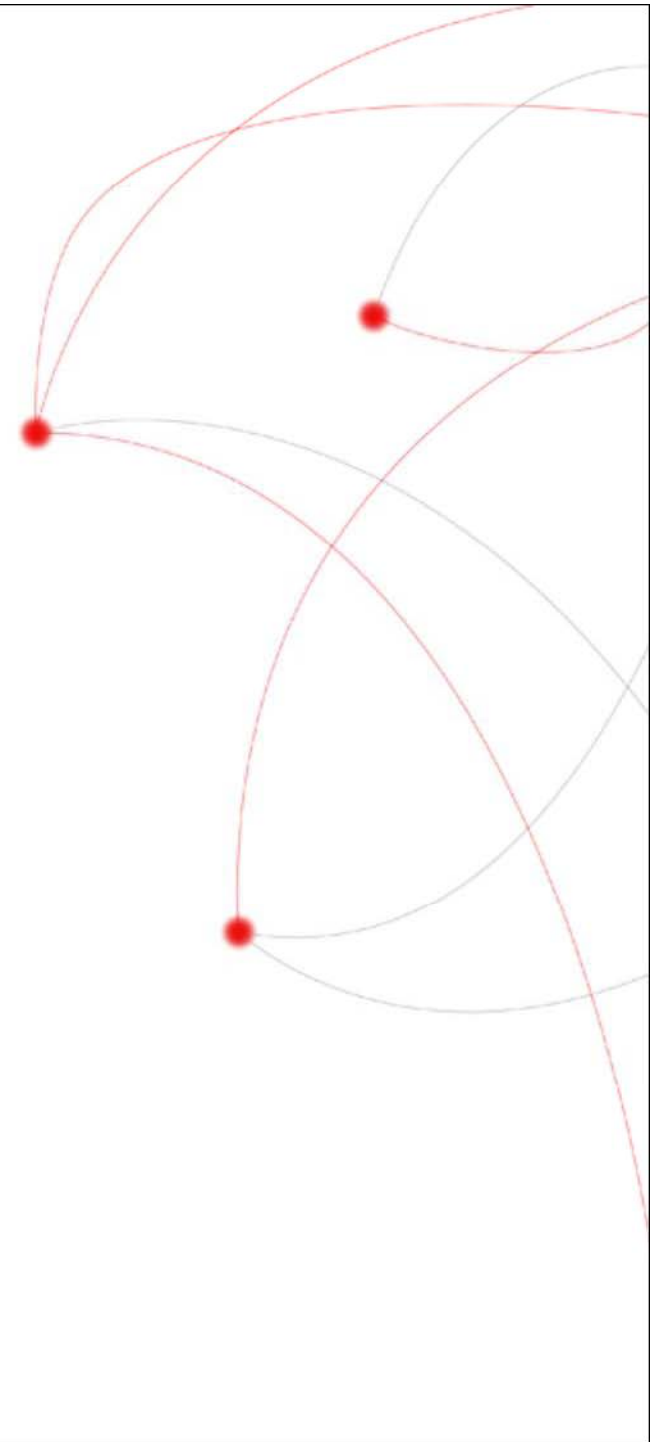
TELECOM ITALIA GROUP

1Q 2011 Results

Milan, May 6th, 2011

Telecom Italia 1Q 2011 Results

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.

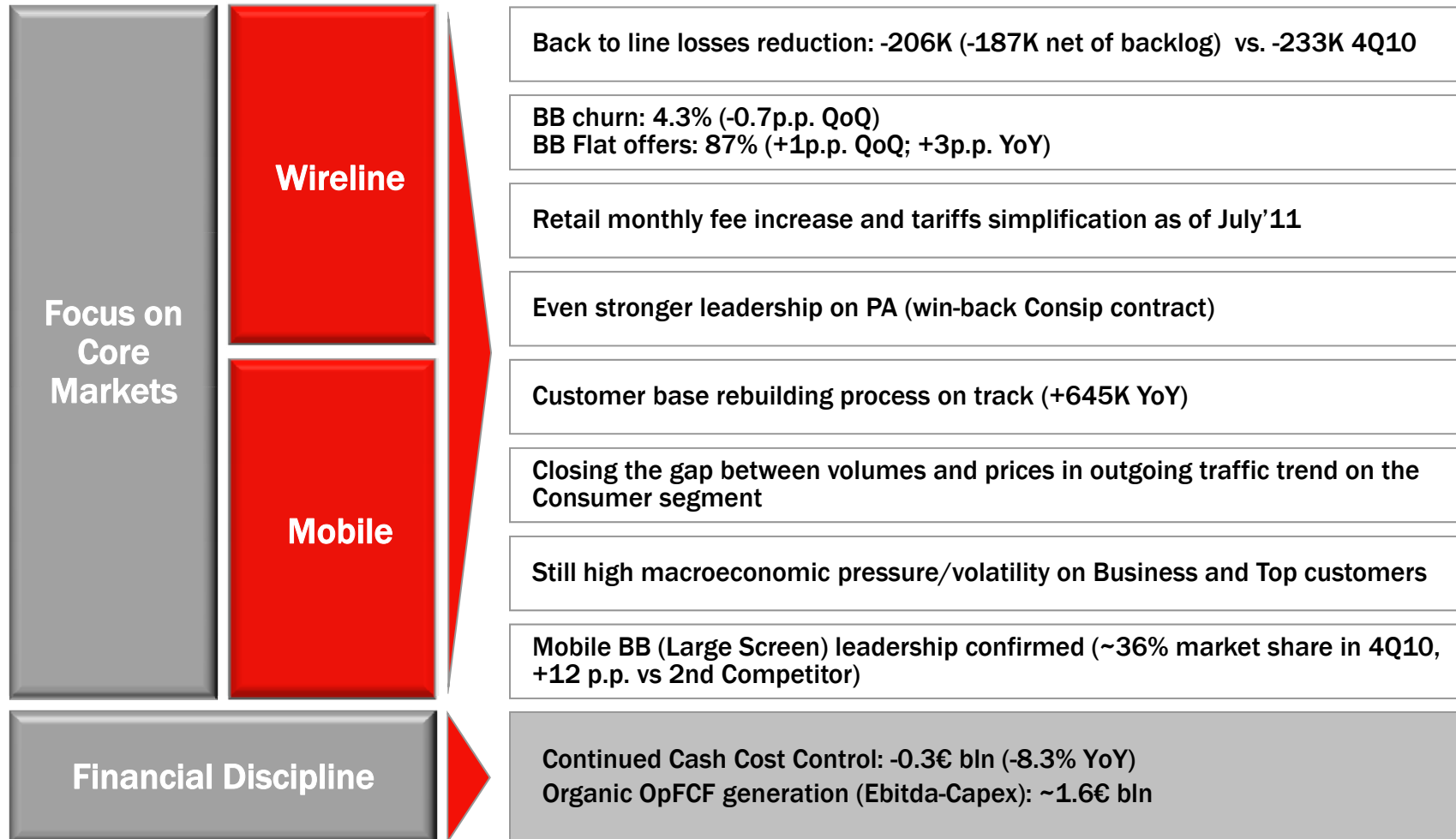
Forward-looking information is based on certain key assumptions which we believe to be reasonable as of the date hereof, but forward looking information by its nature involves risks and uncertainties, which are outside our control, and could significantly affect expected results.

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 S.p.A. 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 S.p.A. business or acquisition strategy or planned capital expenditures 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

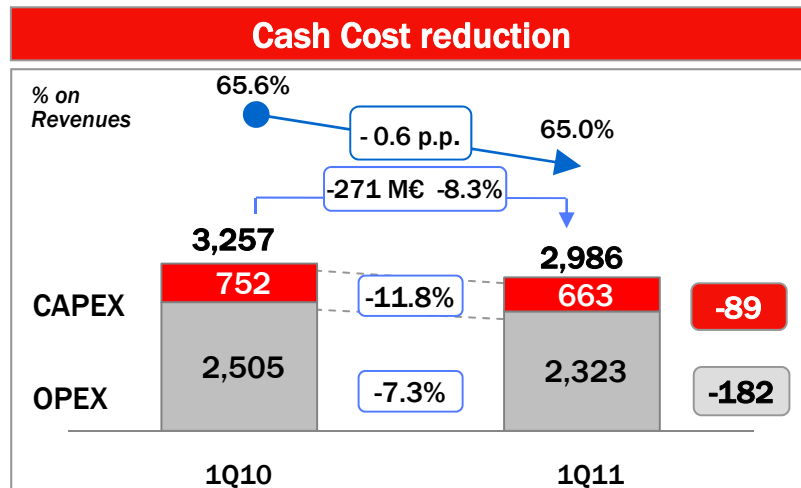
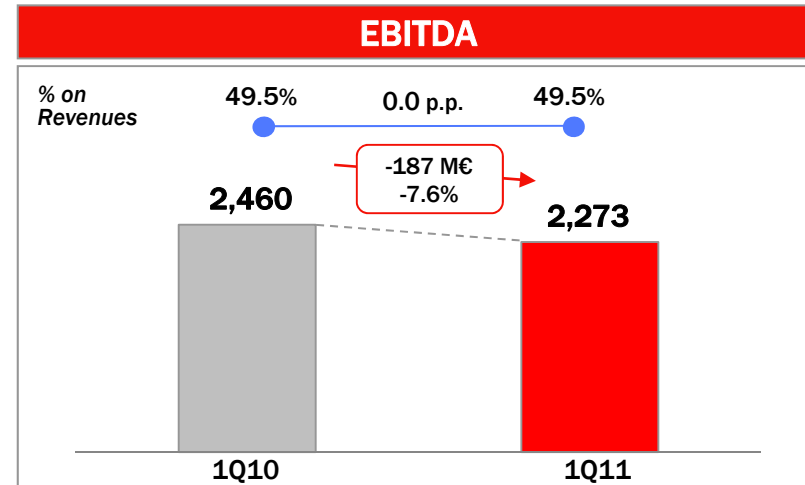
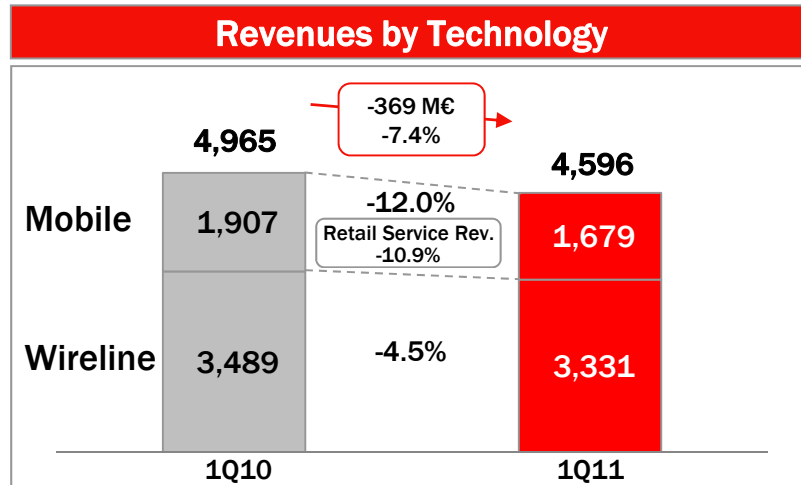
- ▶ **Domestic 1Q11 Progress Report**
 - ▶ Fixed Business
 - ▶ Mobile Business
- ▶ Cash Cost Rationalization & Operating Model
- ▶ Appendix

Domestic 1Q11 Progress Report



Domestic: Organic Results

Euro mln, Organic data, %



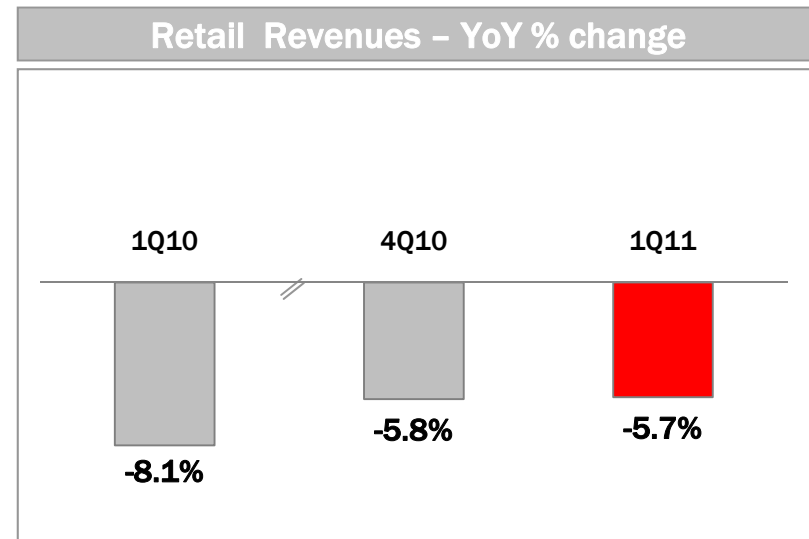
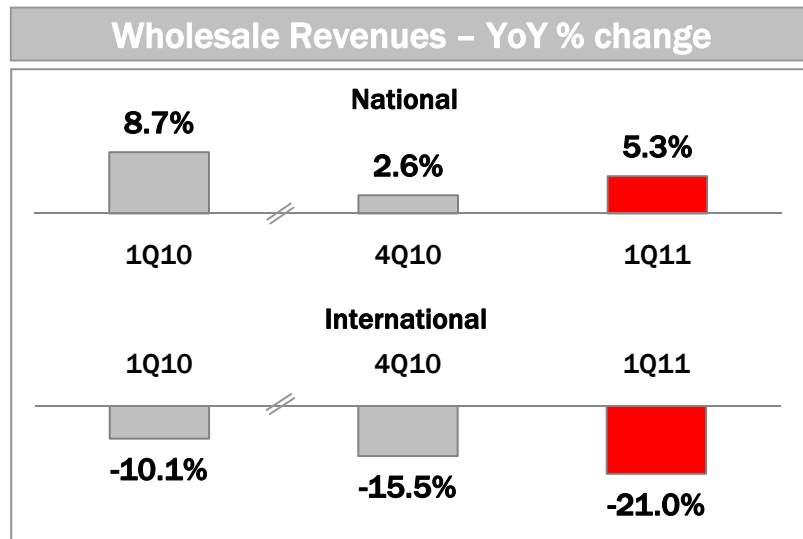
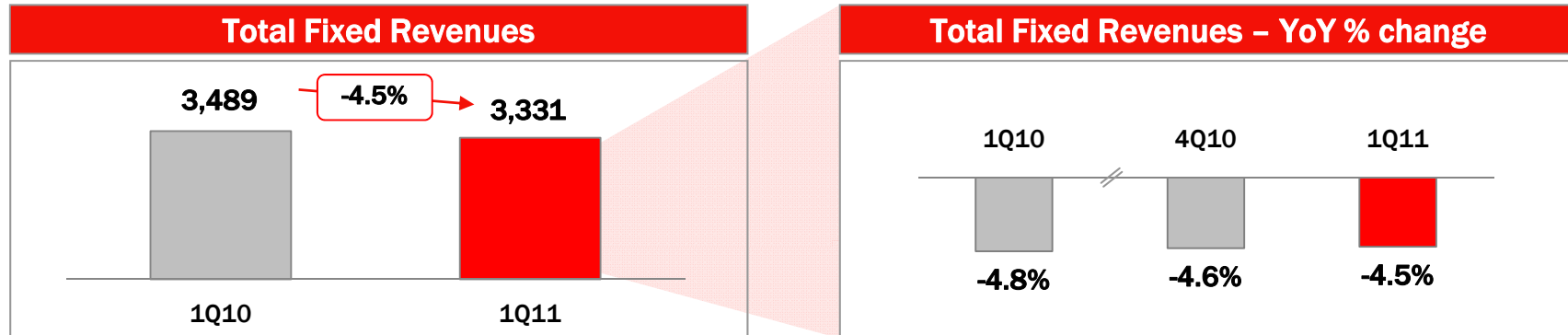
- ### Highlights
- ▶ High macroeconomic pressure/volatility on Business and Top customers
 - ▶ Mobile Consumer segment recovery trend confirmed
 - ▶ Selective approach to the Int'l Wholesale Contracts
 - ▶ Strong focus on cash cost reduction

Agenda

- ▶ Domestic 1Q11 Progress Report
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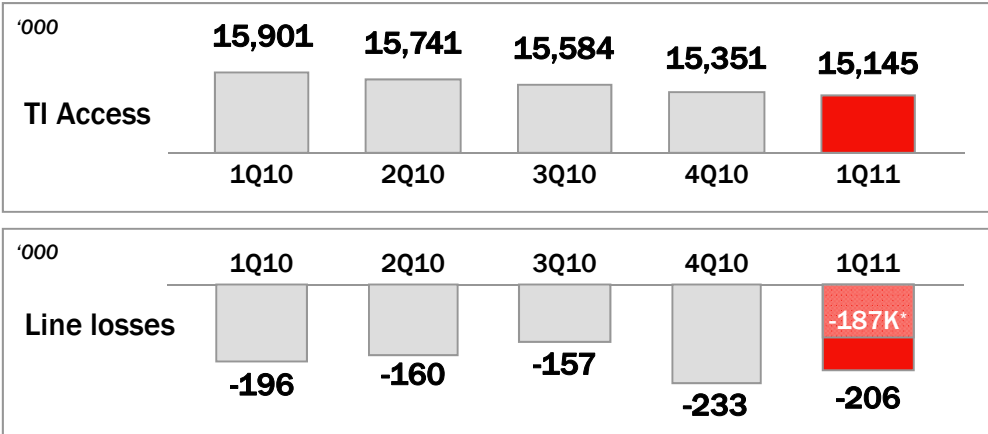
Domestic Fixed: Revenues Dynamics

Euro mln, Organic Data, %



Domestic Fixed: TI Access Performance

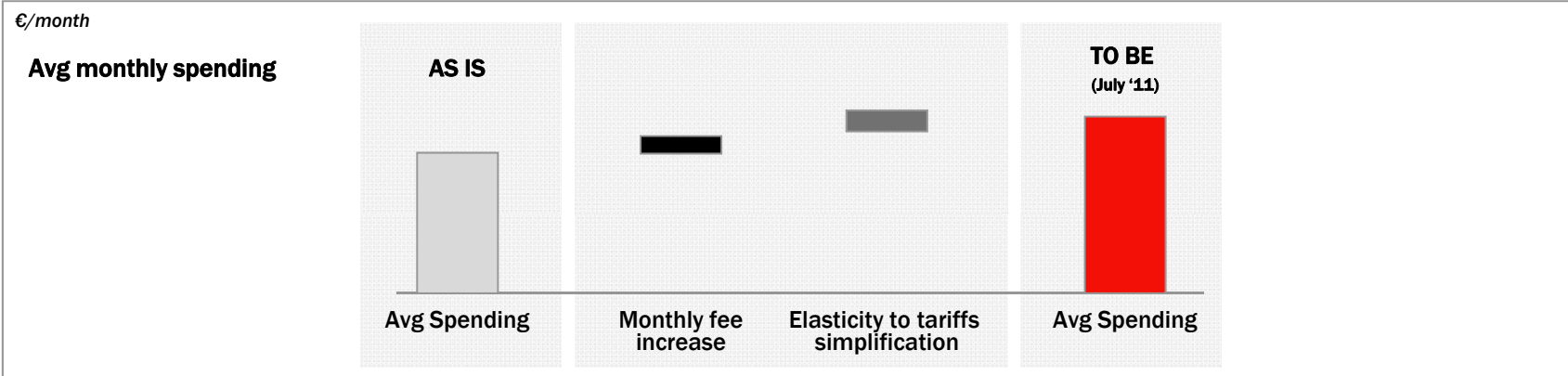
Telecom Italia Retail Access Evolution & Line Losses



Key Highlights

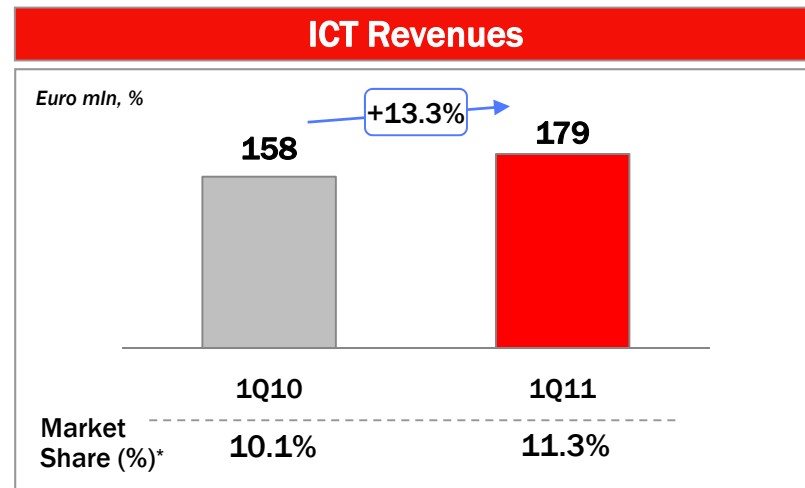
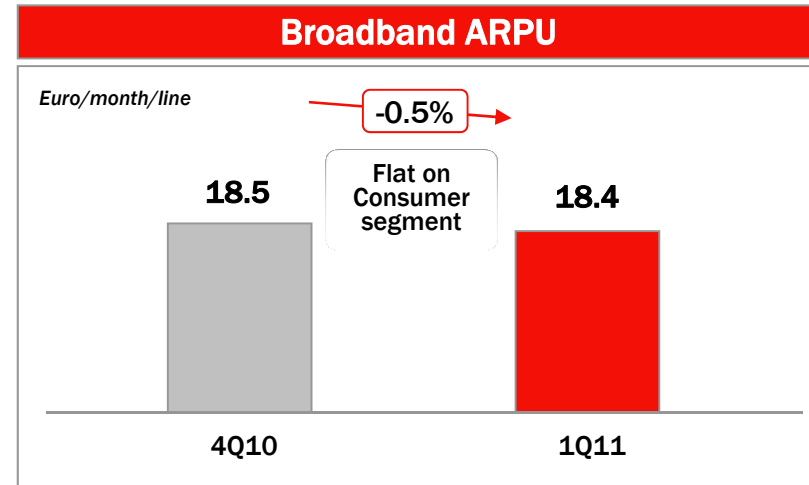
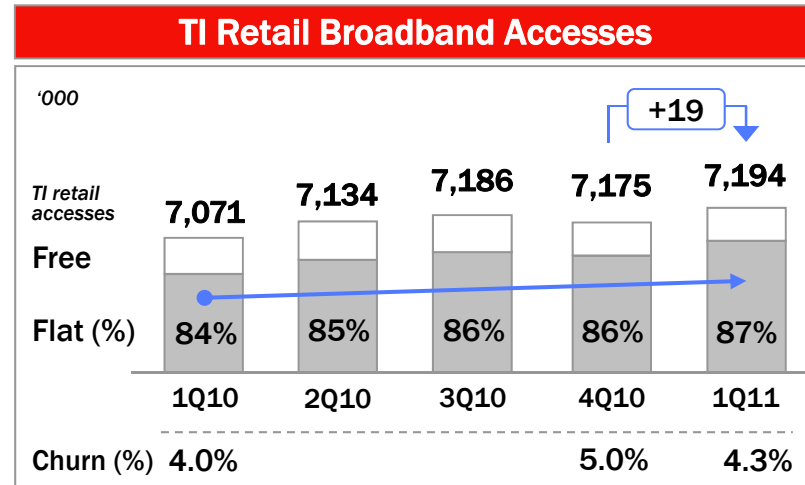
- ▶ Improved line losses trend (net of backlog)
- ▶ Churn rate under control despite OLOs aggressiveness
- ▶ Backlog increase due to win-back daily cap from OLOs
- ▶ New Opt-out regulation started from Febr'11

Retail monthly fee increase and tariff simplification – Focus on Consumer



* Net of Backlog

Domestic Fixed: Focus on Broadband & ICT



Nuvola Italiana

- ▶ **TOP ICT contract value increase (+39% YoY; services +48% YoY) boosted by "Nuvola Italiana" TLC-ICT convergent services**
- ▶ **Double-digit growth of Cloud services on total ICT Services**
- ▶ **Enhancement of Cloud computing offer portfolio for Top clients based on pay-per-use/on-demand concept (improved time-to-delivery and time-to-market applications)**

* Top sector

Domestic Wireline Revenues

Euro mln, Organic Data, %

	1Q10	1Q11	YoY %
Total	3,489	3,331	(4.5)
Services	3,397	3,230	(4.9)
Voice	1,551	1,420	(8.4)
Internet	432	407	(5.8)
Business Data	294	295	+0.3
Wholesale	1,035	1,015	(1.9)
<i>National</i>	749	789	+5.3
<i>International</i>	286	226	(21.0)
Other	85	93	<i>n.m.</i>
Handsets	92	101	+9.8

Flat
Net of Soccer
Rights*

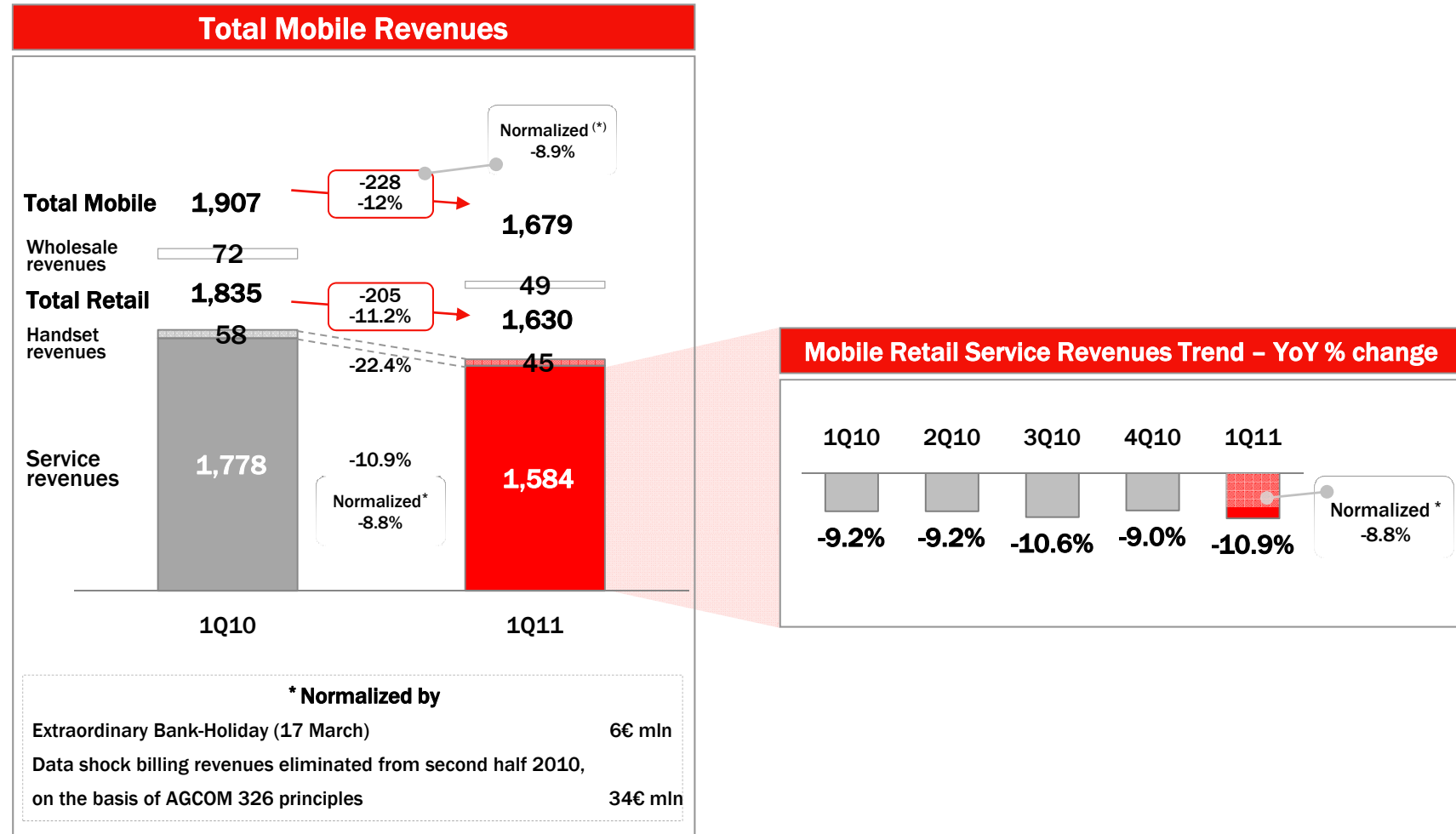
* From July'10 TI exited Soccer rights reselling business.

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- ▶ Domestic 1Q11 Progress Report
 - ▶ Fixed Business
 - ▶ **Mobile Business**
- ▶ Cash Cost Rationalization & Operating Model
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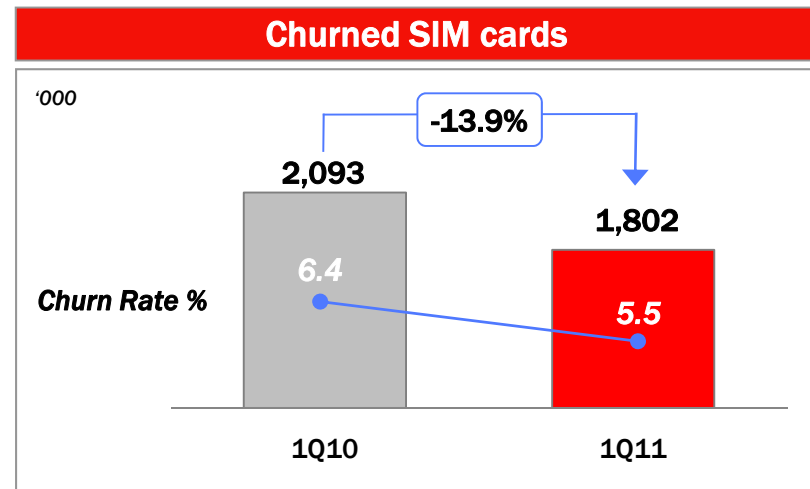
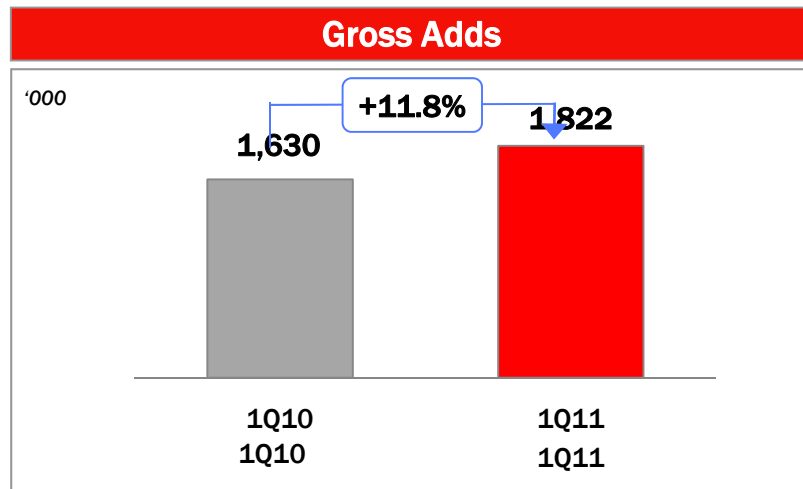
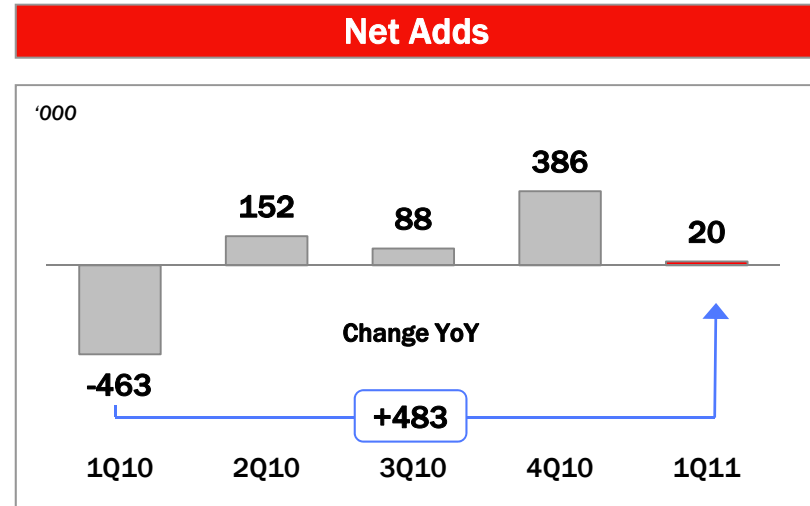
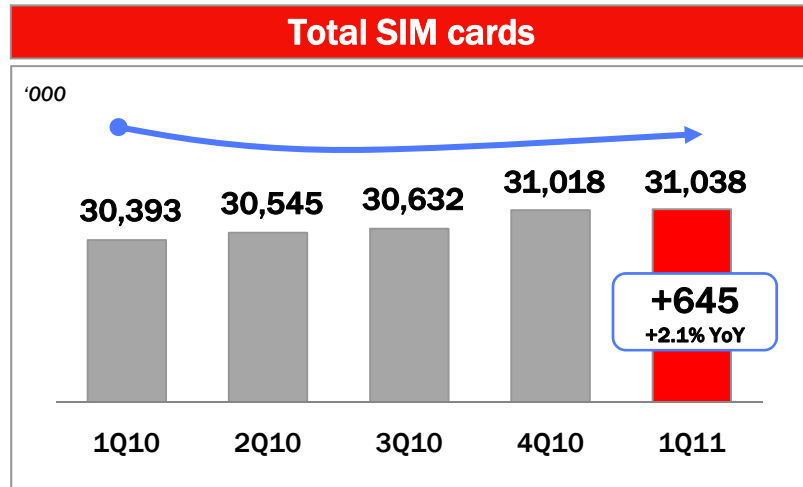
Mobile Revenues: 1Q11 Results at a Glance

Euro mln, Organic Data

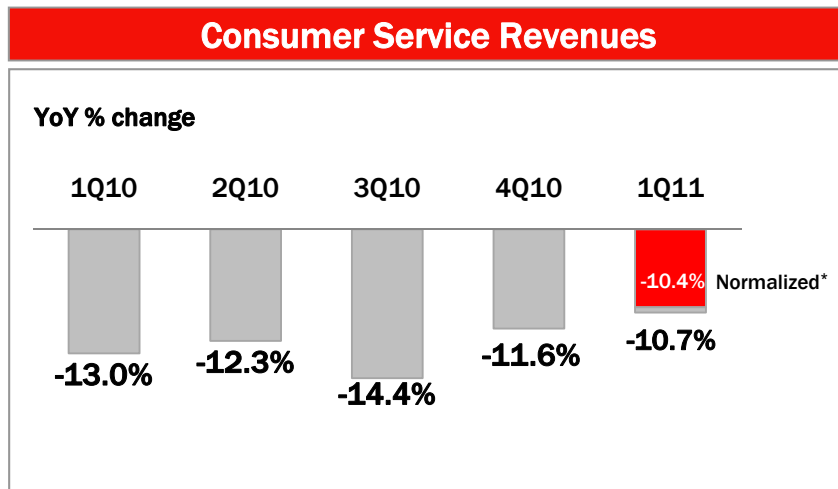
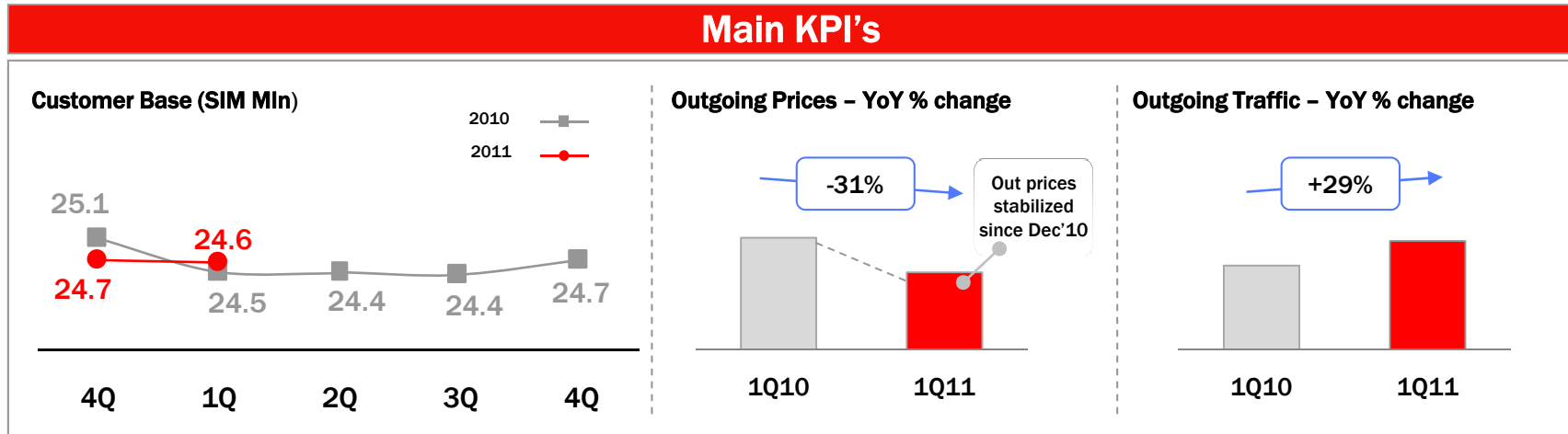


Domestic Mobile: Customer Base Trend

Euro mln, Organic Data



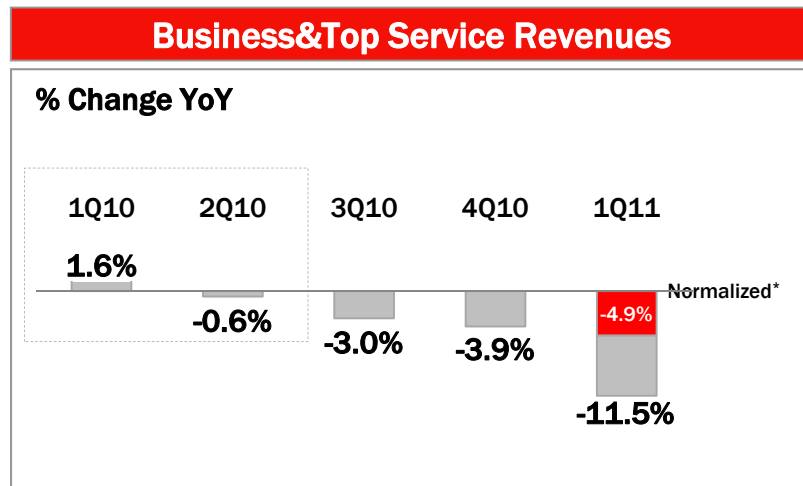
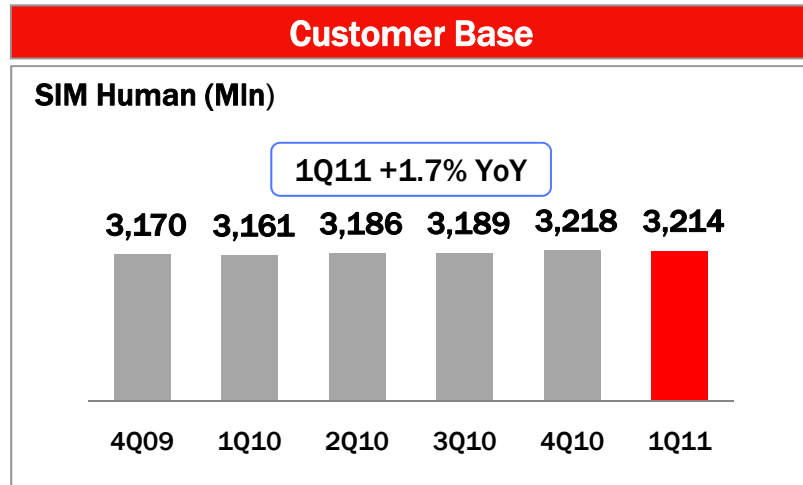
Domestic Mobile – Focus on Consumer



- ### Highlights
- ▶ **Customer Base:** closed the Gap vs 2010
 - ▶ **Outgoing prices and traffic:** reducing the YoY gap
 - ▶ **Outgoing Traffic:** consolidate 2010 growth
 - ▶ **Churn:** increase loyalty leveraging on bundle offers (1Q11 6.3%; -0.9pp YoY)
 - ▶ **Incoming traffic&revenues** stabilized

*Extraordinary Bank-Holiday (17 March)

Domestic Mobile – Focus on Business&Top




* Data shock billing revenues eliminated from second half 2010, on the basis of AGCOM 326 principles

- ### Highlights
- ▶ Usage SME/SoHo impacted by macroeconomics pressure
 - ▶ Consip pricing list effect on top customers
 - ▶ Market share protection
 - ▶ Data Offer repositioning pushing on bundles to overcome shock-billing and increase loyalty (AGCOM Decision ex326)


Data Offer Repositioning

Small screens



- ▶ Smartphone renewal every 2 years
- ▶ All risk insurance
- ▶ Recurring data bundles up to 2GB

Large screens



- ▶ USB dongle
- ▶ Recurring data bundles up to 20 GB
- ▶ Roaming data bundle 100MB
- ▶ Premium help desk for PC sw issues

Mobile BB – Small Screen-Large Screen Dynamics

	Main Highlights	KPIs																		
LARGE SCREEN	<ul style="list-style-type: none"> ▶ Market share leadership confirmed ▶ Continued increase of 24 months Internet pack offering ▶ Increased gross adds through the adoption of Tablets and I-Pads ▶ Increased customer loyalty 	<p>Large Screen users - Consumer ('000)</p> <table border="1"> <tr> <th>Quarter</th> <th>Users ('000)</th> <th>% Change</th> </tr> <tr> <td>1Q10</td> <td>1,853</td> <td></td> </tr> <tr> <td>1Q11</td> <td>2,332</td> <td>+25.8%</td> </tr> </table> <p>Internet Pack – gross adds ('000)</p> <table border="1"> <tr> <th>Quarter</th> <th>Gross Adds ('000)</th> <th>% Change</th> </tr> <tr> <td>1Q10</td> <td>~120</td> <td></td> </tr> <tr> <td>1Q11</td> <td>~180</td> <td>+43.6%</td> </tr> </table> <p>Note: ~70% total Gross Adds</p>	Quarter	Users ('000)	% Change	1Q10	1,853		1Q11	2,332	+25.8%	Quarter	Gross Adds ('000)	% Change	1Q10	~120		1Q11	~180	+43.6%
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SMALL SCREEN	<ul style="list-style-type: none"> ▶ Handsets mix improved: smartphone on total handsets sold (~+5pp vs.FY10) ▶ Push on Tutto Compreso with smartphone included ▶ Bundles with smartphones and internet options (~60% Tutto Compreso customers with high-end smartphones have an internet option) 	<p>Small Screen users - Consumer ('000)</p> <table border="1"> <tr> <th>Quarter</th> <th>Users ('000)</th> <th>% Change</th> </tr> <tr> <td>1Q10</td> <td>1,376</td> <td></td> </tr> <tr> <td>1Q11</td> <td>1,542</td> <td>+12.1%</td> </tr> </table> <p>Note: ~7% penetration on voice CB</p> <p>% Smartphone on Handsets sold - Consumer</p> <table border="1"> <tr> <th>Metric</th> <th>Value</th> <th>% Change</th> </tr> <tr> <td>Total H/S</td> <td>~270K</td> <td></td> </tr> <tr> <td>Smartphones</td> <td>~35%</td> <td>+128% YoY</td> </tr> </table> <p>March '11</p>	Quarter	Users ('000)	% Change	1Q10	1,376		1Q11	1,542	+12.1%	Metric	Value	% Change	Total H/S	~270K		Smartphones	~35%	+128% YoY
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Domestic Mobile Revenues

Euro mln, Organic Data, %

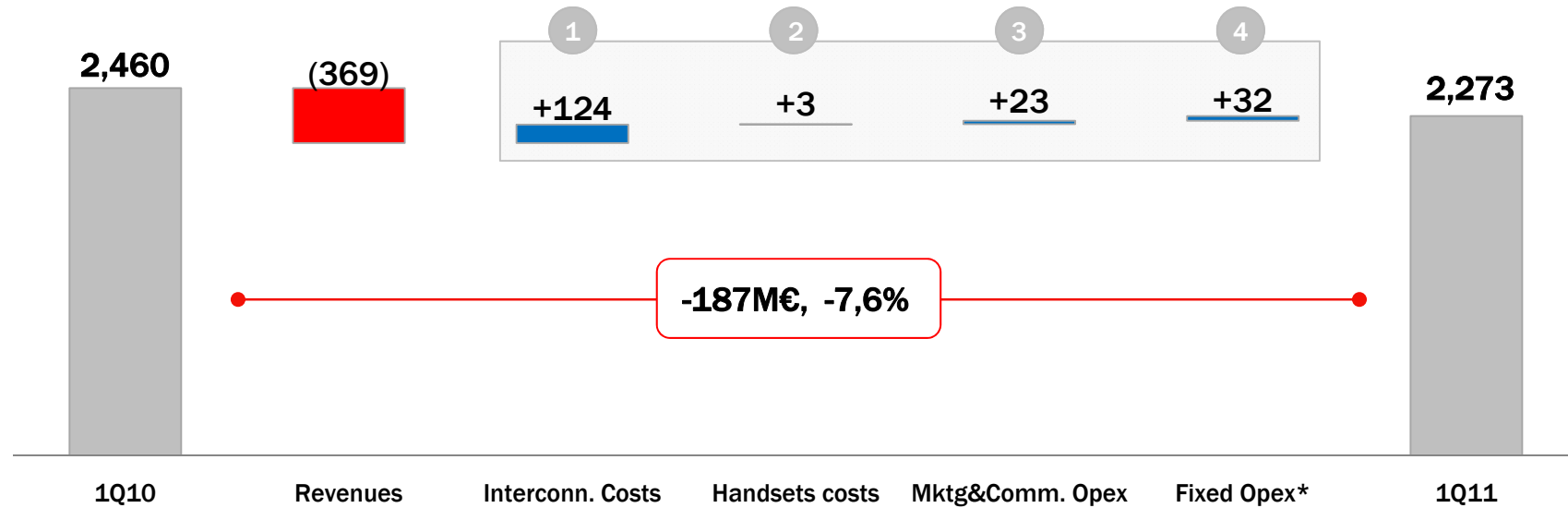
	1Q10	1Q11	Δ % YoY	
Total	1,907	1,679	(12.0)	
Services	1,850	1,634	(11.7)	
o/w Outgoing Voice	991	876	(11.6)	
o/w VAS	510	475	(6.9)	Consumer Browsing +5.5%
o/w Business Received	349	283	(18.9)	
Handsets	58	45	(22.4)	
	1Q10	1Q11	Δ % YoY	
Total	1,907	1,679	(12.0)	Net of Discontinuities -8.9%
Retail	1,835	1,630	(11.2)	
o/w Services	1,778	1,584	(10.9)	Net of Discontinuities -8.8%
Wholesale	72	49	(32.0)	

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- ▶ Appendix

Focus on 1Q11 Domestic EBITDA

Euro mln, Organic Data, %



<p>1 MTR and Wholesale traffic reduction</p>	<p>3 Acquisition costs offset by efficiencies on customer operations</p>
<p>2 Selective growth of Smartphone/ICT Products with no impact on Ebitda</p>	<p>4 Benefits from efficiency programs on Fixed costs and headcount reduction</p>

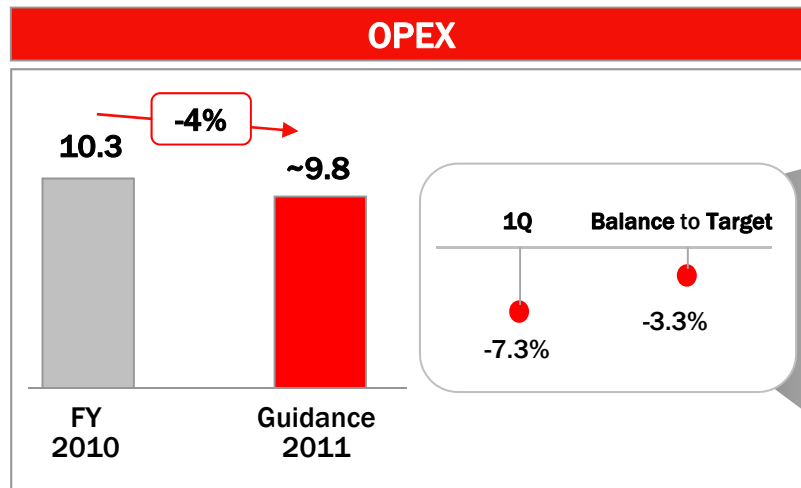
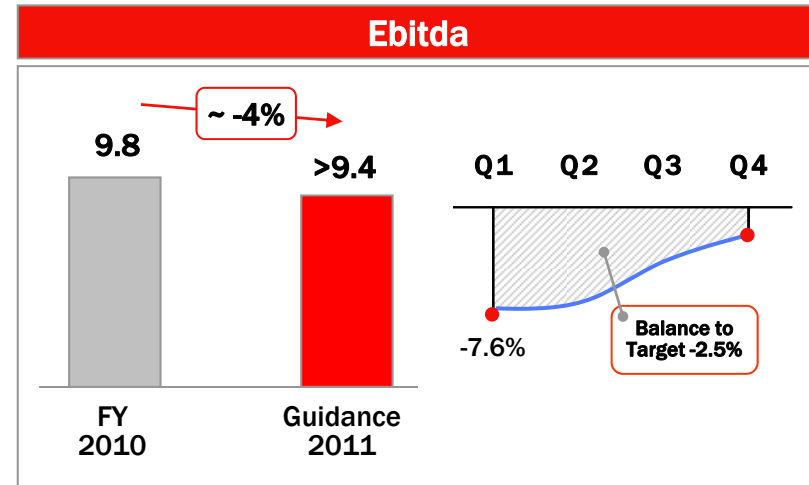
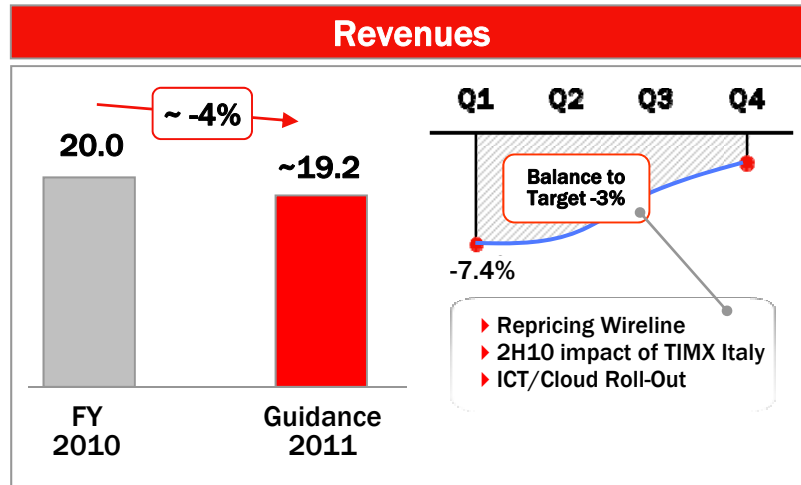
* Industrial + Personnel + G&A = Fixed Opex

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Domestic – Focus on Full-Year

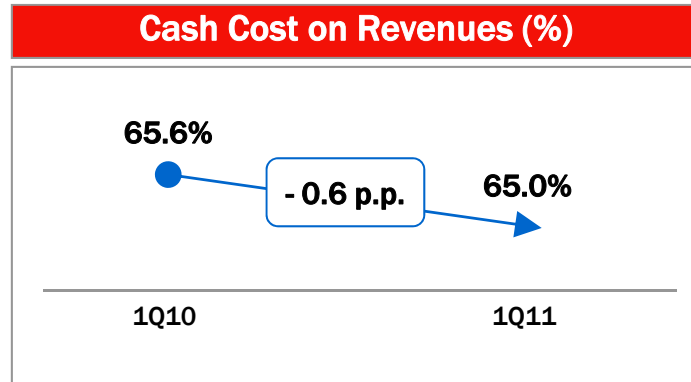
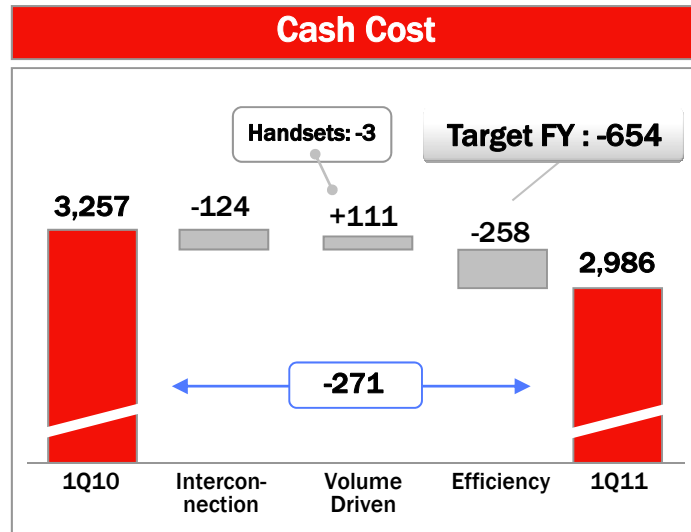
Organic Data, Euro Bln, %



- ▶ Front-end loaded efficiency target to balance expected trend in 1H11 for Top Line
- ▶ Balance to target shows further potentiality to secure full-year Ebitda target
- ▶ Benefit from further headcount reductions in 2H11 in accordance with Trade Union agreement signed in August'10

Progress on Domestic Efficiency Plan

Euro mln, Organic Data, %



*Includes Other Operating Income and Capitalized Costs

Delta Cash Cost 1Q11 vs 1Q10		Δ ITX	Δ Vol. Driven	Δ Efficiency
Total Opex	2,323 -182	-124	+56	-114
ITX	579 -124	-124		
Mktg & Sales	550 -26		+24	-50
Industrial	246 -2		+11	-13
Personnel	779 -53		-5	-48
G&A & Other*	169 +23		+26	-3
Total Capex	663 -89		+55	-144
Total Cash Cost	-271	-124	+111	-258

49% of FY10 Target (Total Opex Delta)

40% of FY10 Target (Total Cash Cost Delta)