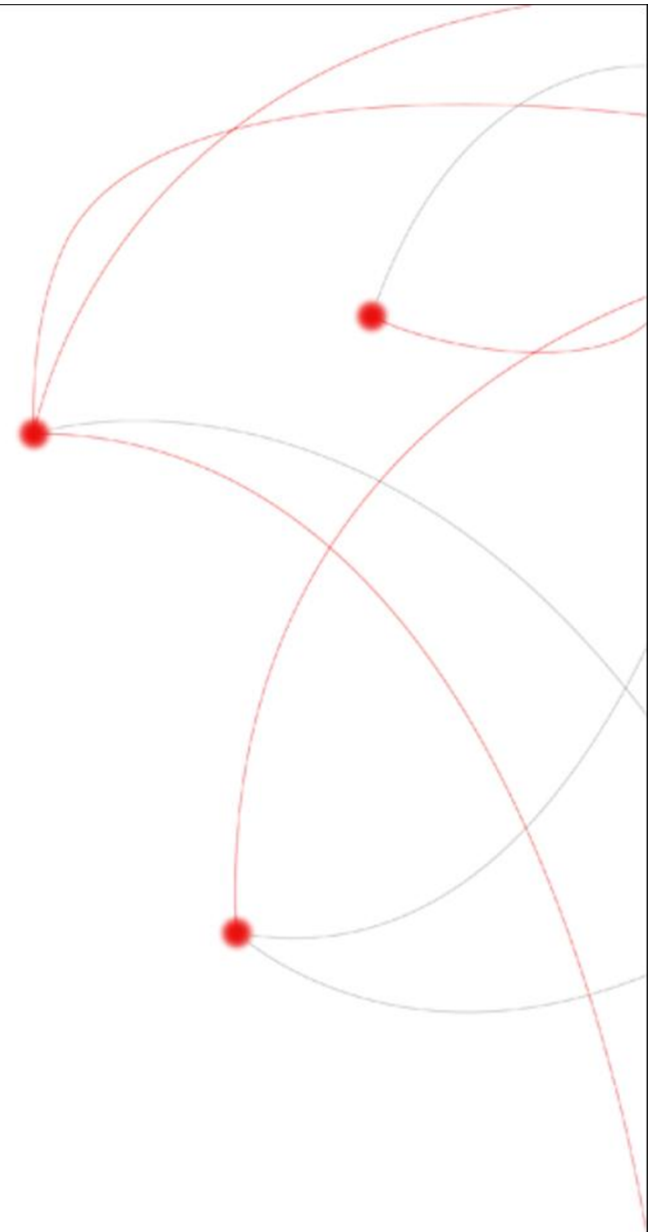


# Telecom Italia

UBS European Conference 2011

London, November 15, 2011

MARCO PATUANO – Chief Operating Officer



## 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.

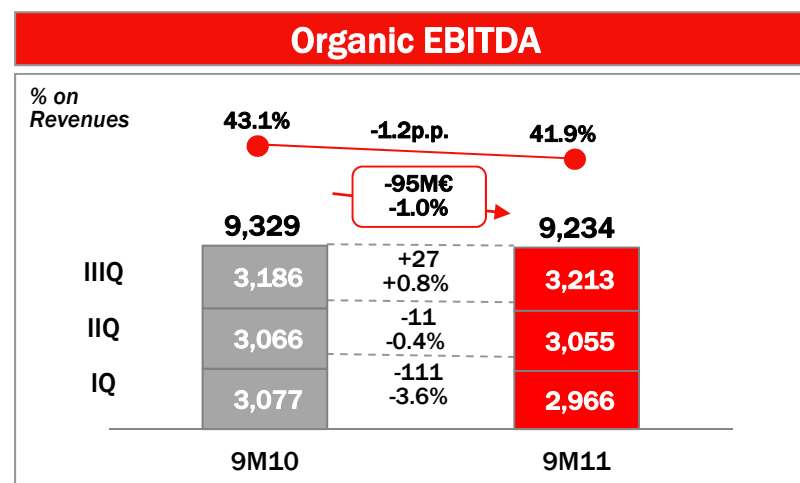
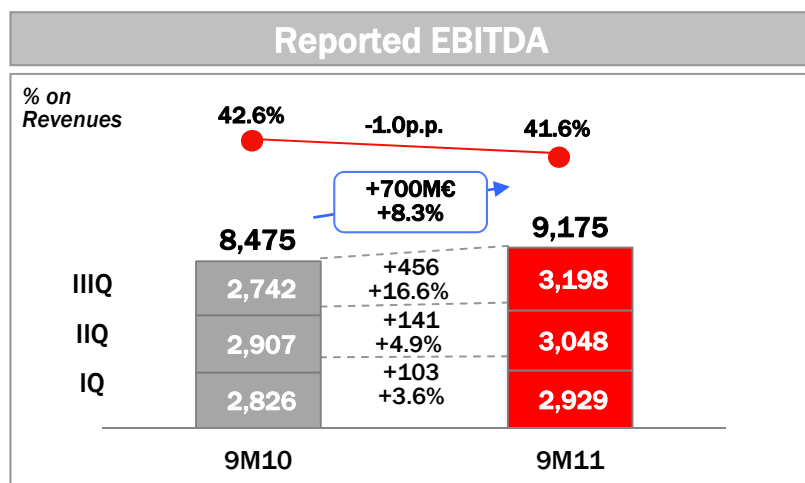
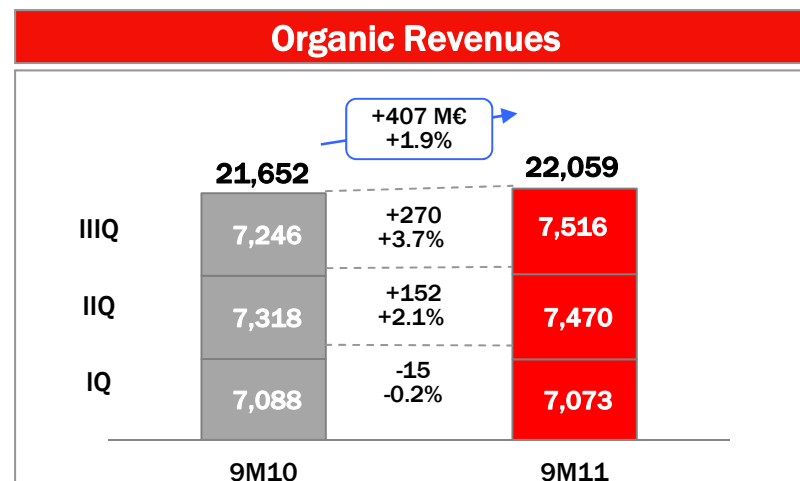
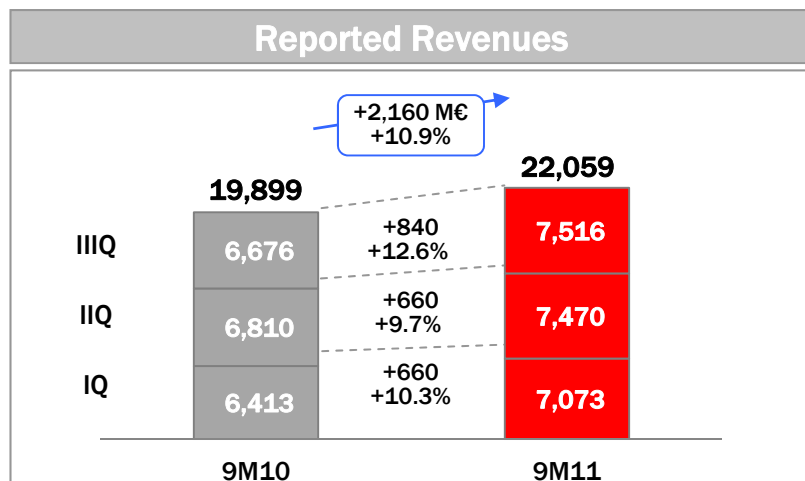
Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia S.p.A. undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect 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

- ▶ **TI Group 3Q11 Progress Report**
- ▶ **Focus on Domestic Mobile Market**
- ▶ **Focus on Domestic Fixed Market**
- ▶ **Conclusions**

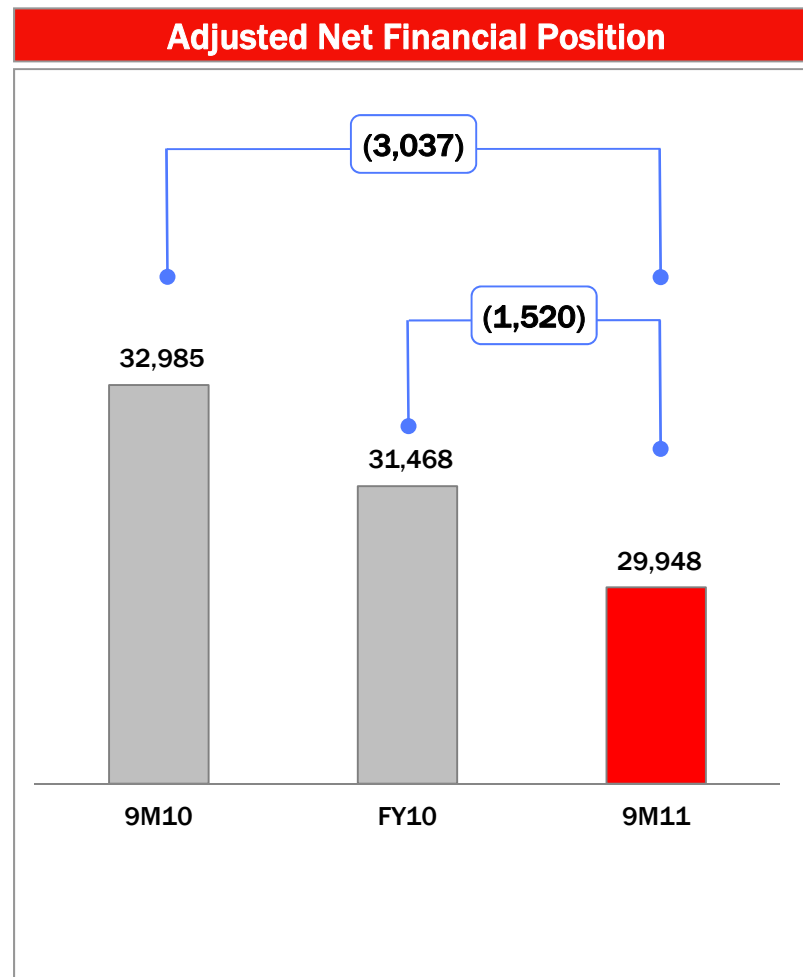
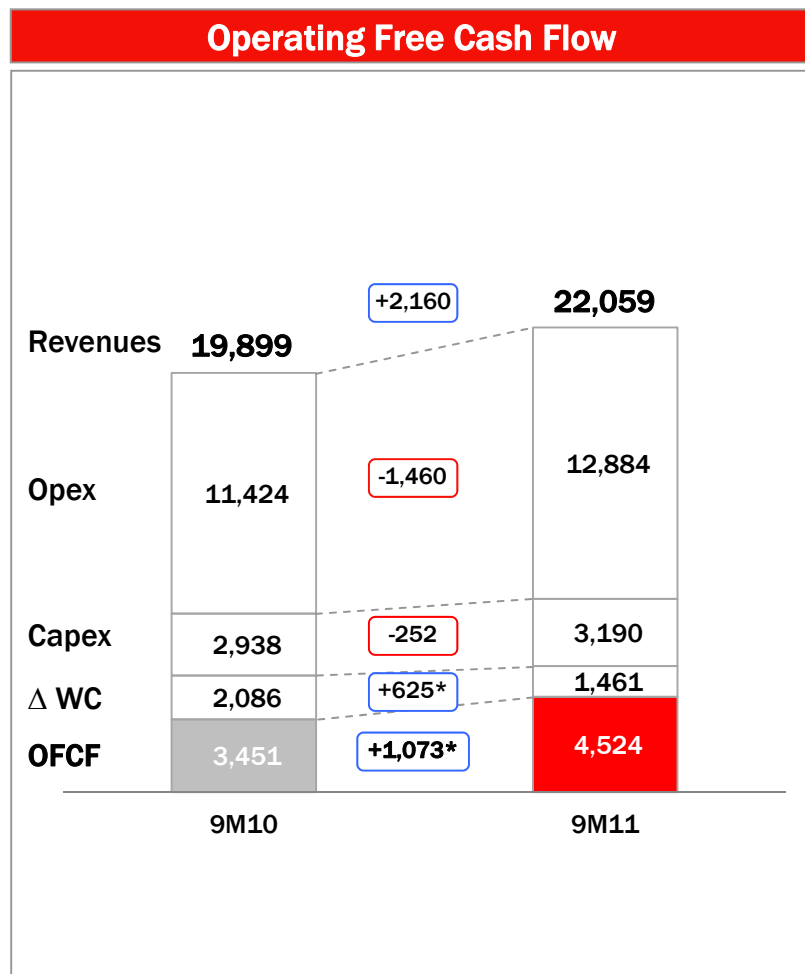
# TI Group: Revenues & Ebitda

Euro mln, %



# Strong Free Cash Flow Generation and Net Debt Reduction

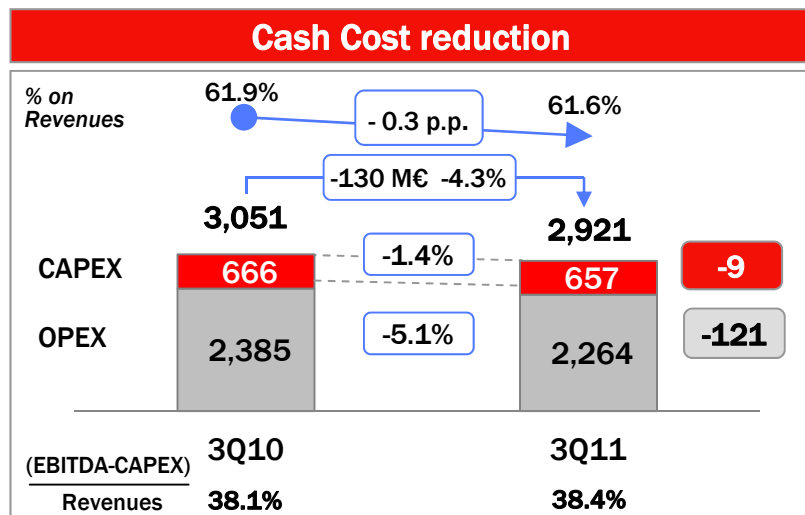
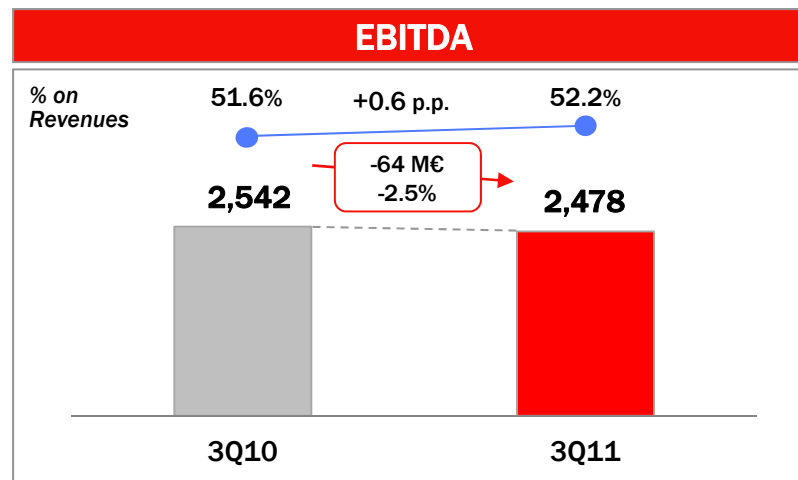
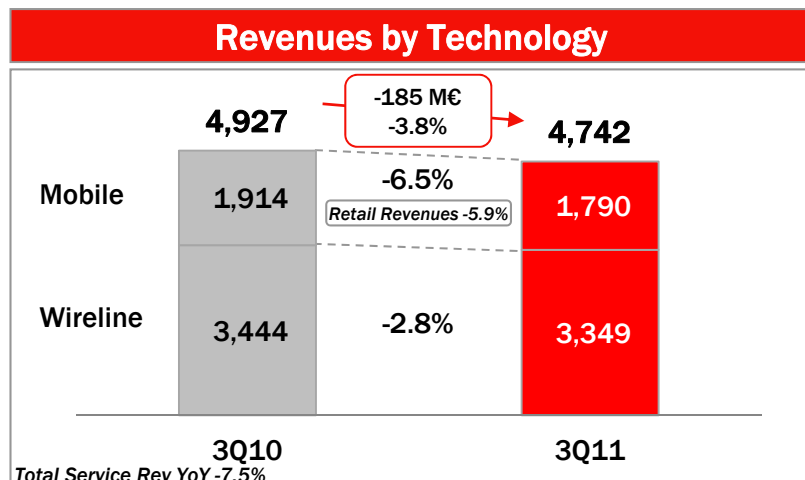
Euro mln, Reported Data



\* o/w 389 € mln TI Sparkle settlement

# Domestic: 3Q11 Organic Results

Euro mln, Organic data, %



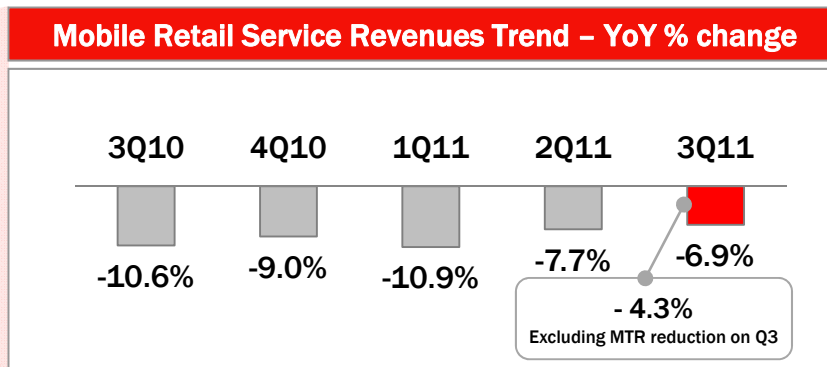
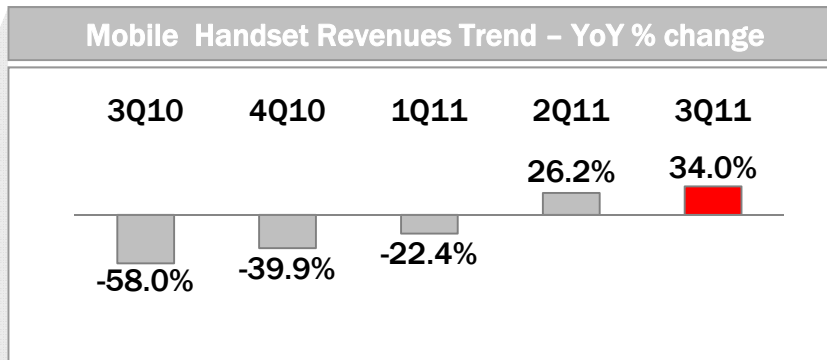
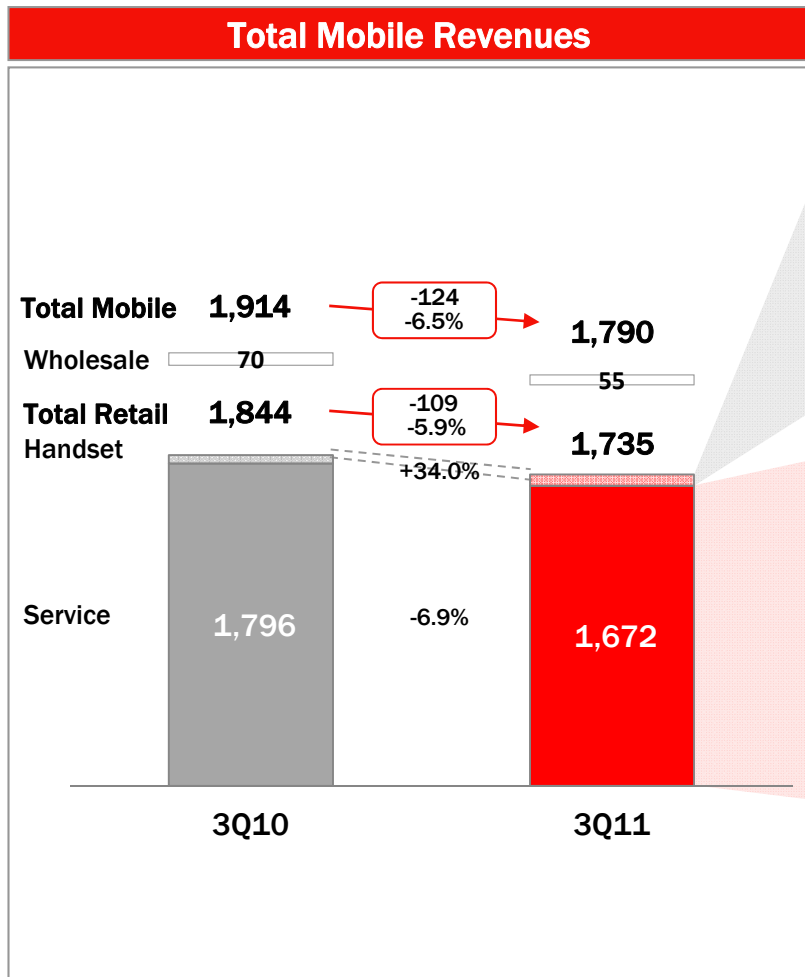
- ### Highlights
- ▶ Further improvement in Revenues trend, in both Fixed and Mobile
  - ▶ On Fixed, performance was sustained by July tariff simplification and by a successful value-driven approach in a slowing market
  - ▶ On Mobile, voice price stabilization and data growth delivered further trend improvement, despite MTR reduction in July
  - ▶ Year-on-Year trend on Int'l Wholesale close to stabilization
  - ▶ Continued focus on cash cost delivered a 0.6pp growth on EBITDA Margin, now at 52.2%
  - ▶ Ebitda-Capex on Revenues reached 38.4% in Q3

# Agenda

- ▶ TI Group 3Q11 Progress Report
- ▶ **Focus on Domestic Mobile Market**
- ▶ Focus on Domestic Market Fixed
- ▶ Conclusions

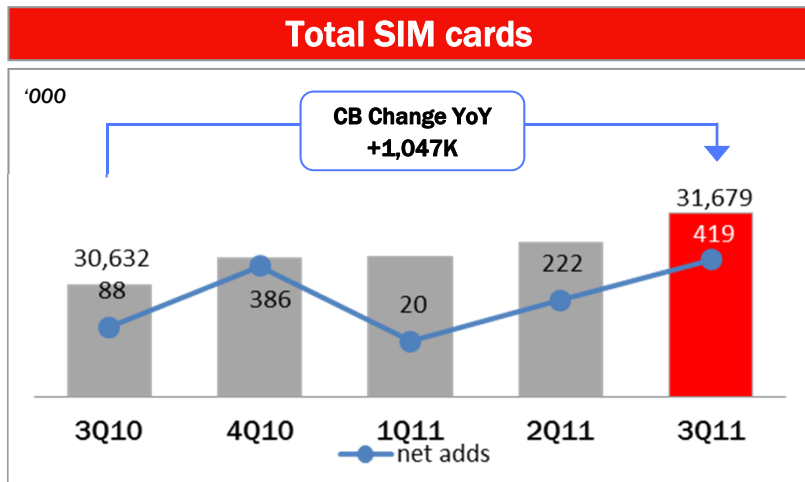
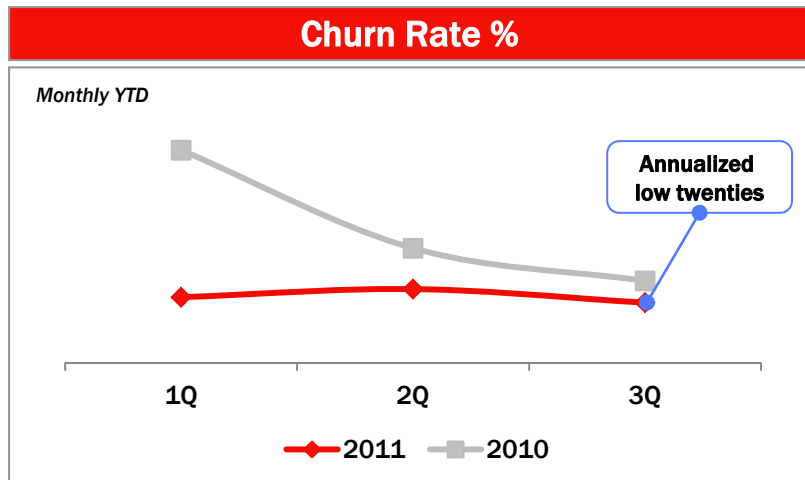
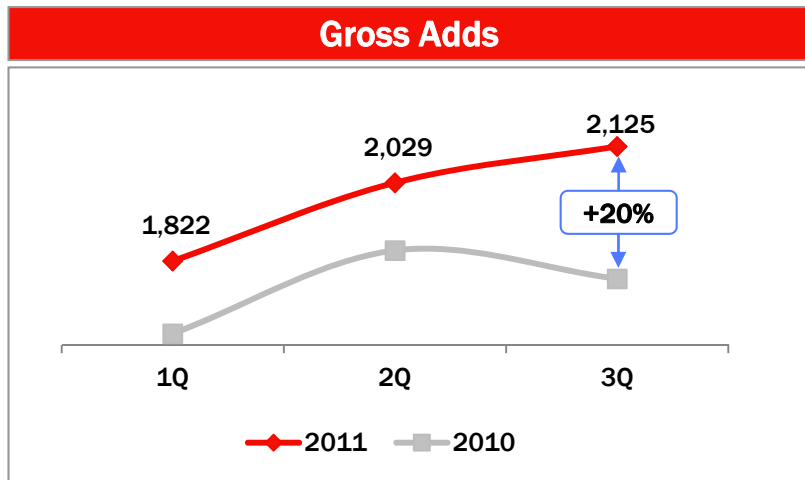
# Mobile Revenues: 3Q11 Results Breakdown

Euro mln, Organic Data





# Domestic Mobile: Customer Base Trend

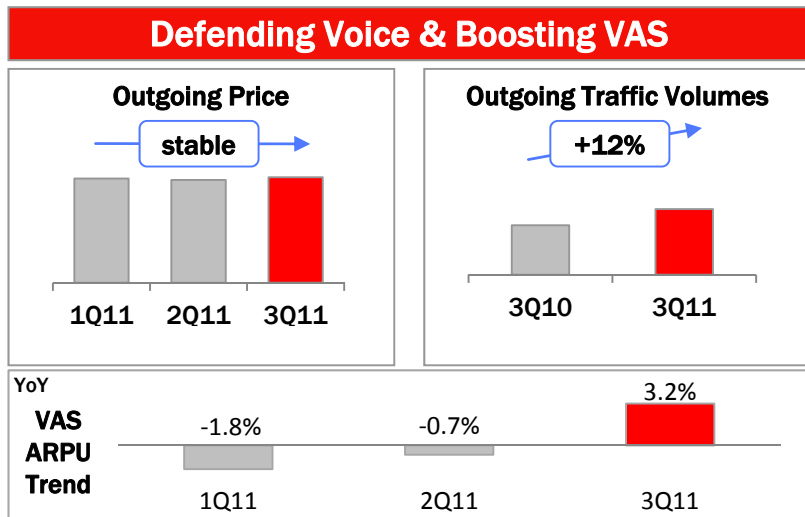
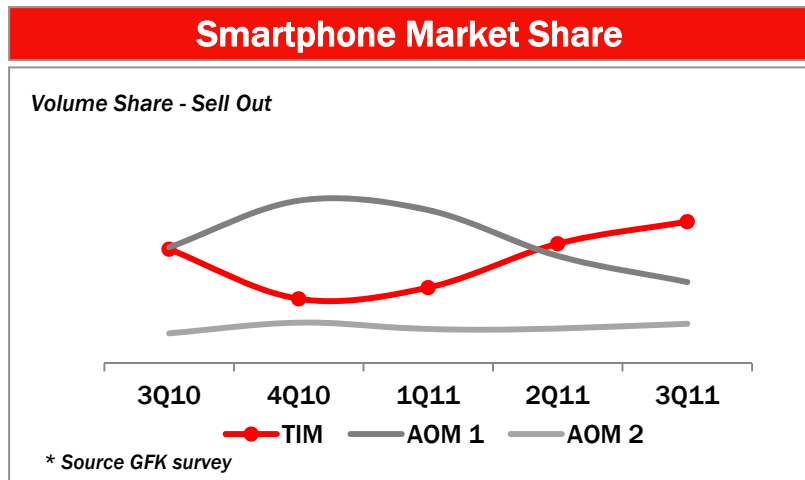
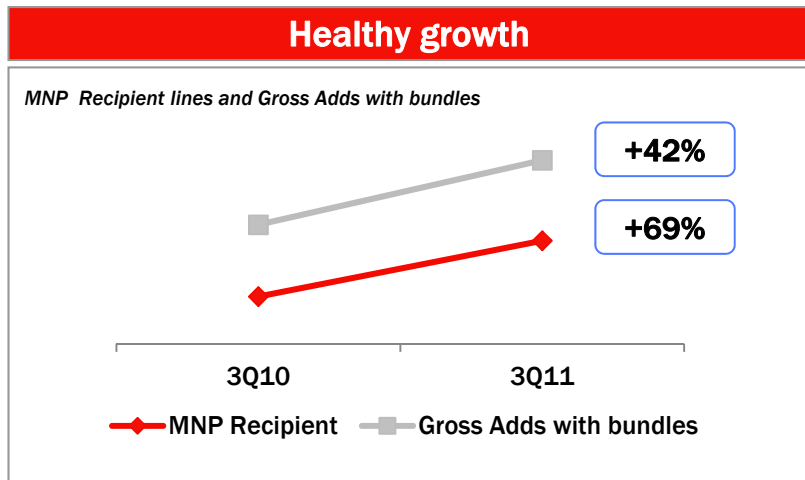


### Highlights

Gross Adds combined with a controlled churn generates a sound Customer Base growth:

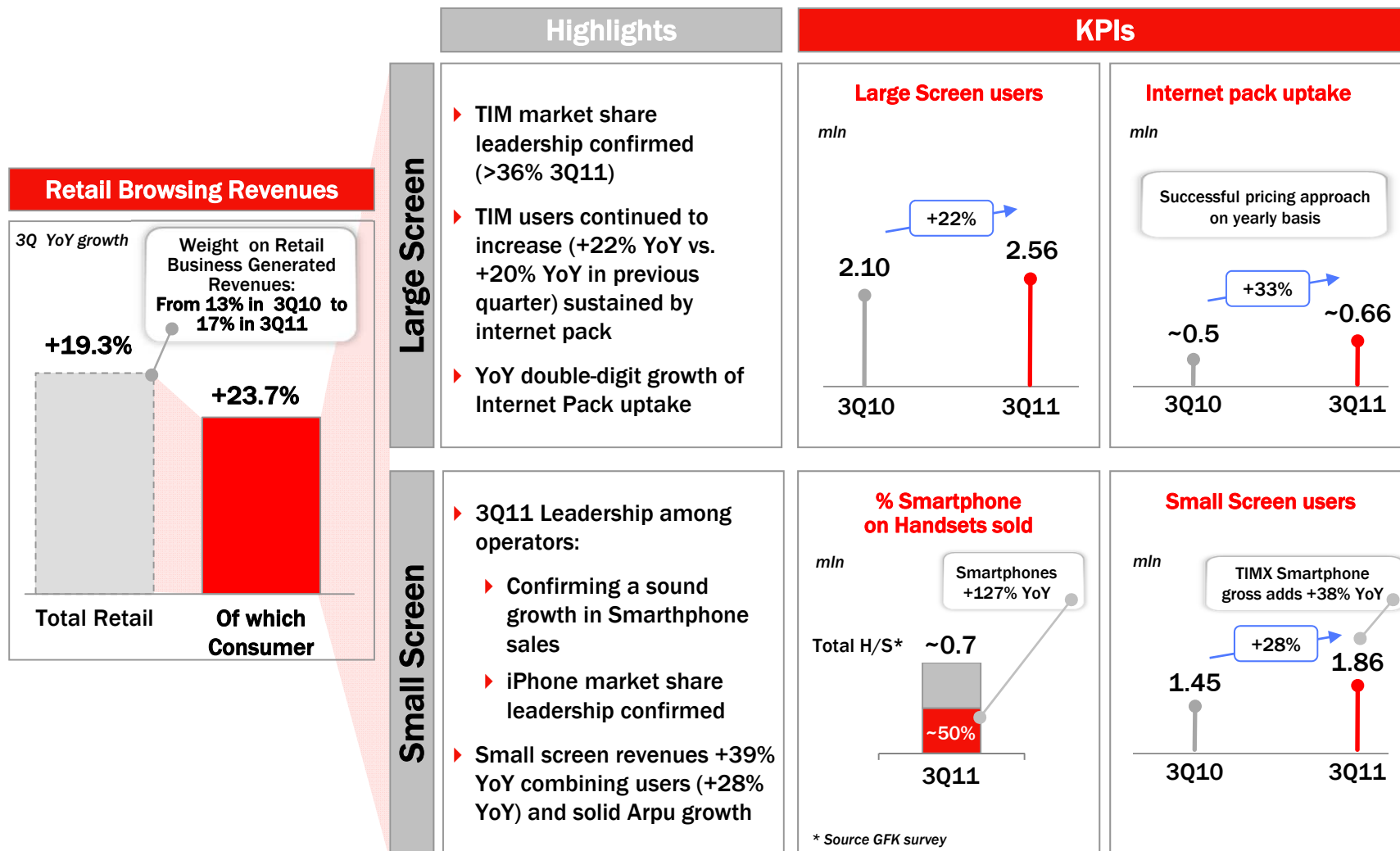
- ▶ Focus on acquisition delivered a double-digit growth in Gross Adds (+20% YoY)
- ▶ Churn rate still improving, driven by CRM focus and increasing lock-in offerings on Customer Base

# Domestic Mobile Consumer: A Quality Growth



- ### Highlights
- ▶ Focus on quality acquisition with an important growth on:
    - MNP acquisitions both as rate on total acquisition and as absolute terms
    - Bundle options sales on new customers
  - ▶ Consolidated leadership on smartphone market
  - ▶ Defending Voice, stabilizing price since the beginning of 2011 and continuing growth in traffic volume YoY

# Domestic Mobile – Focus on Mobile BB Consumer

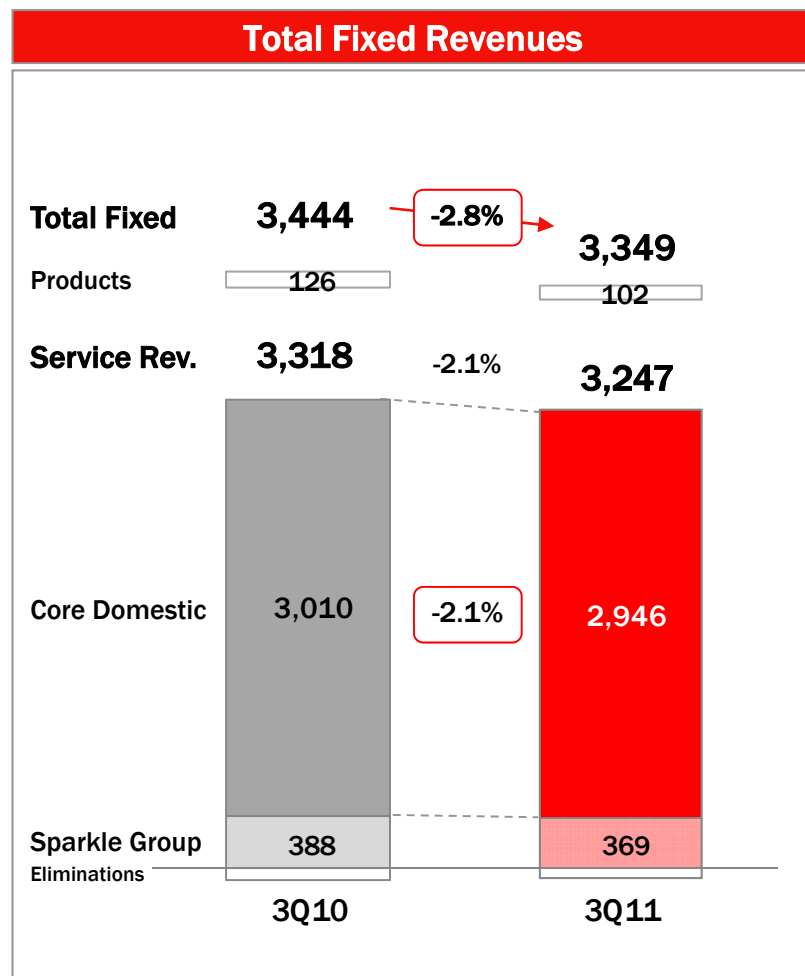


# Agenda

- ▶ TI Group 3Q11 Progress Report
- ▶ Focus on Domestic Mobile Market
- ▶ **Focus on Domestic Fixed Market**
- ▶ Conclusions

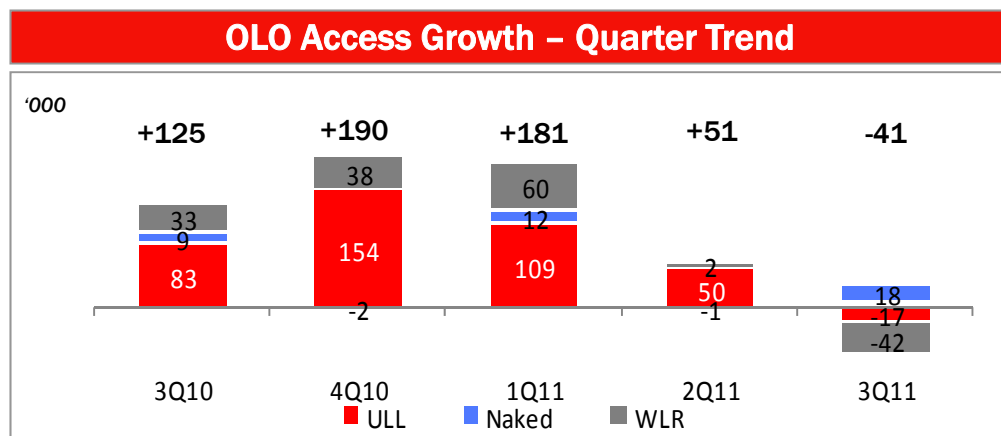
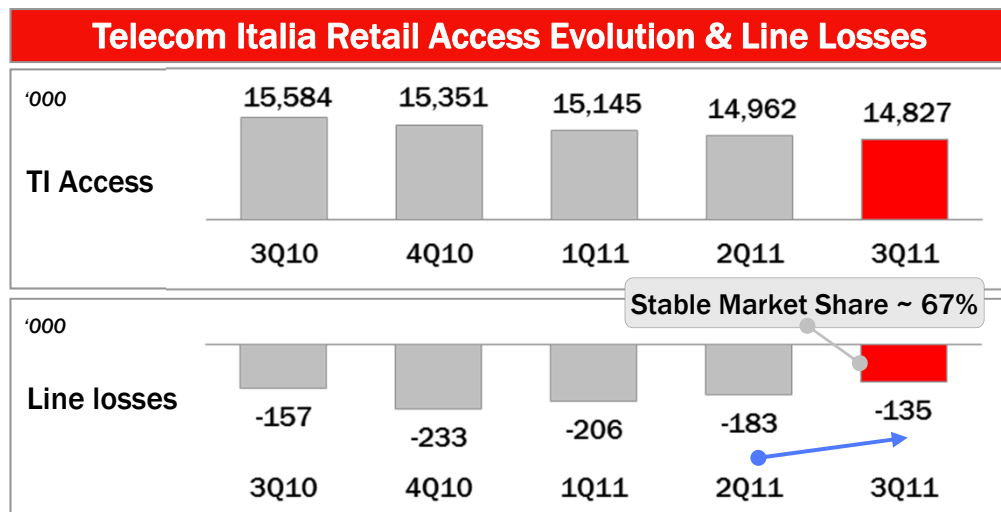
# Domestic Fixed: Revenues Dynamics

Euro mln, Organic Data, %



- ### Highlights
- ▶ Material improvement in Core Domestic Service Revenues: -2.1% YoY in Q3 vs -3.5% in Q2 & Q1, as a result of:
    - Positive impact of Monthly fee revision and tariff simplification
    - Successful value-oriented approach on Broadband
    - Confirmed Positive trend on ICT Service Revenues growth
  - ▶ Sparkle Revenues trend stabilization

# Domestic Fixed: TI Access Performance

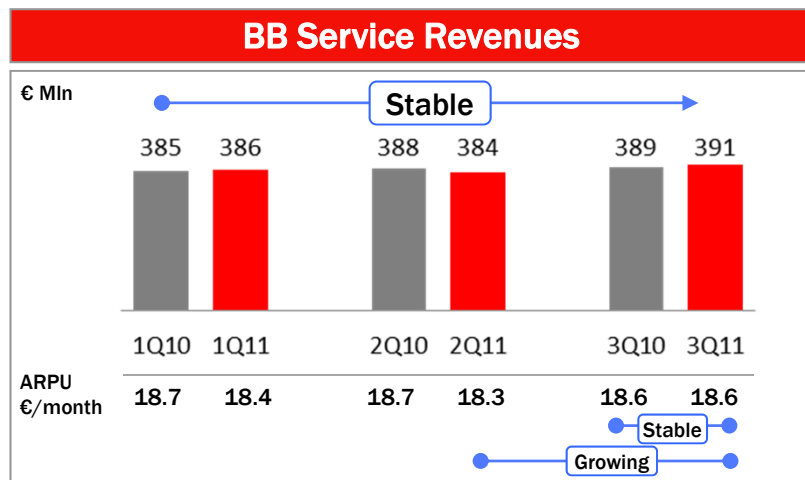
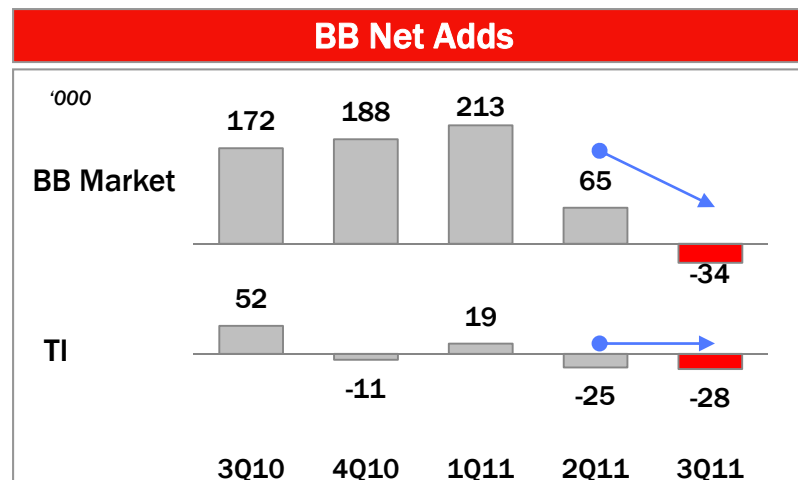
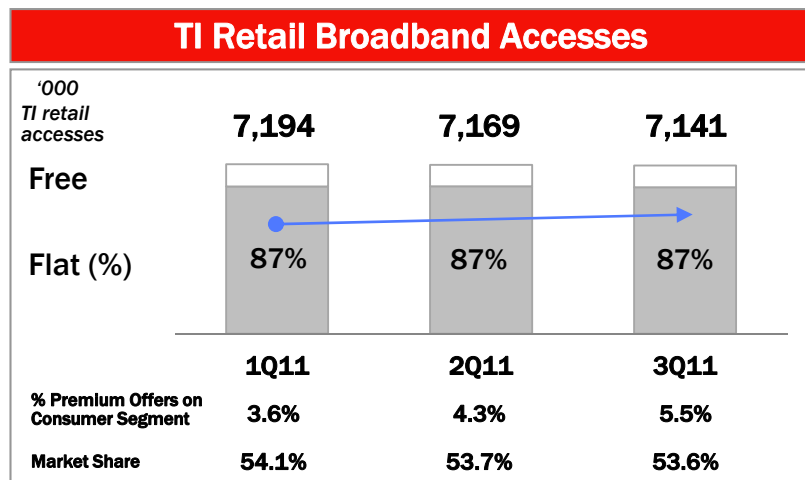


### Highlights

- ▶ Stable Market Share
- ▶ For the first time negative growth of OLO access
- ▶ OLO aggressive promotions derive from a tough market, leading to a higher intra-OLO flow
- ▶ Improvement in TI line losses trend despite market contraction

  
**TI's winning value oriented strategy**

# Domestic Fixed: Focus on Broadband



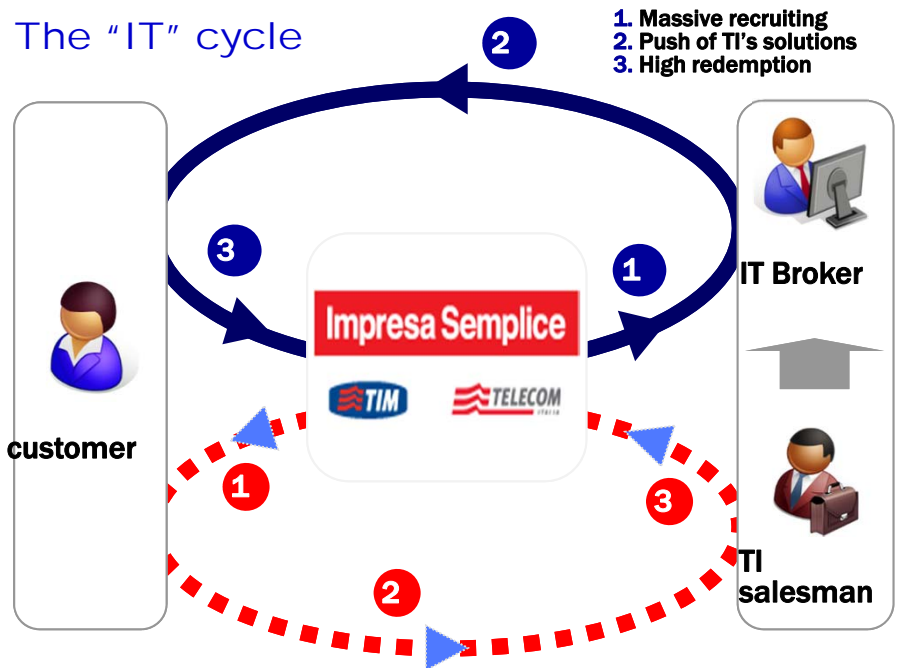
- ### Highlights
- ▶ Defending Broadband Market Share at 53.6%
  - ▶ Stabilizing BB reduction trend vs Market contraction
  - ▶ BB ARPU increase proving an healthy BB Strategy
  - ▶ Confirming the stable BB Service Revenues since 2010



# A new approach to address the IT Market

## Building a robust ecosystem...

### The "IT" cycle



### The traditional "Telco" cycle

1. Massive recruiting
2. Push of TI's solutions
3. High redemption

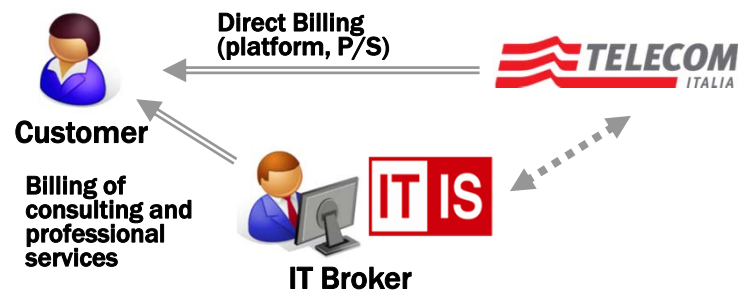
1. Advertising
2. Ask for TI's solutions
3. Brokers ask for affiliation

## ... by applying different business models

### B2B2B



### B2B



- ▶ IT Brokers (resellers, distributors, consultants, ...) act as middlemen between TI and the customer
- ▶ IT Brokers facilitate the sales of TI products and services as the customer trusts them in the purchase of IT solutions

- ▶ **IT IS** is the new TI's sales channel for the IT market, made up by IT Brokers (target size: 20-25% out of the ~30k Italian IT brokers)
- ▶ ITIS members push TI solutions to the customer and sell their own professional services

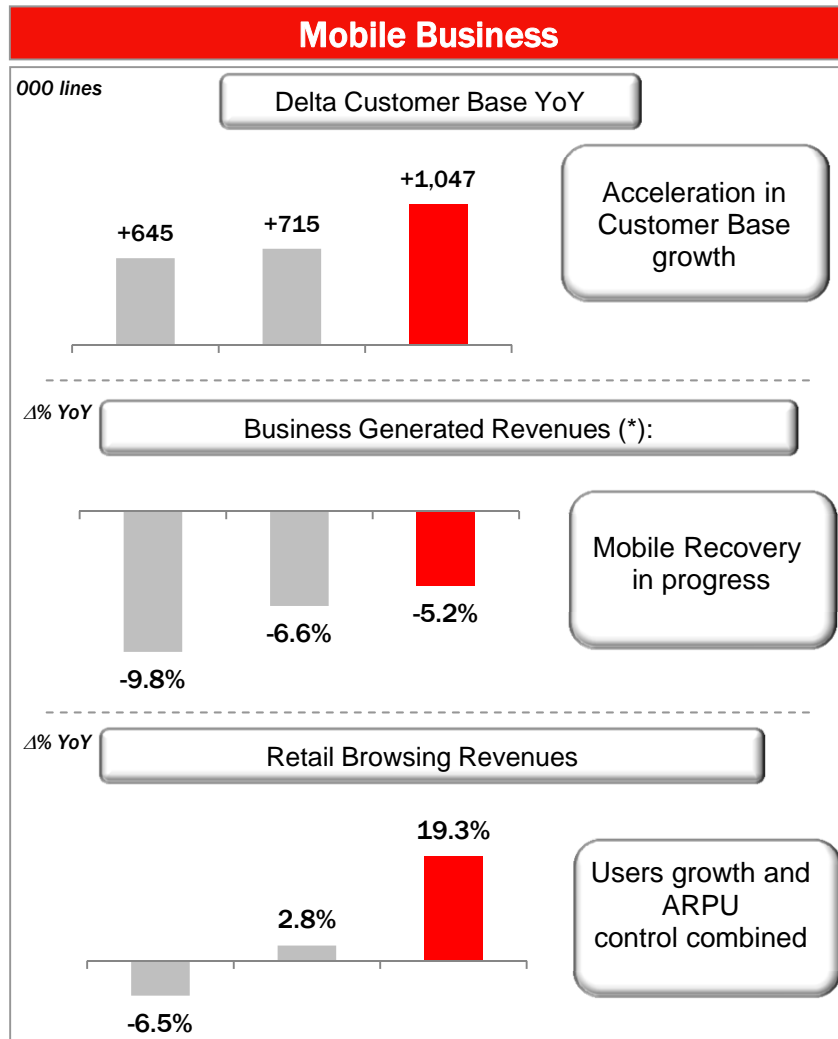


# Agenda

- ▶ **TI Group 3Q11 Progress Report**
- ▶ **Focus on Domestic Mobile Market**
- ▶ **Focus on Domestic Fixed Market**
- ▶ **Conclusions**

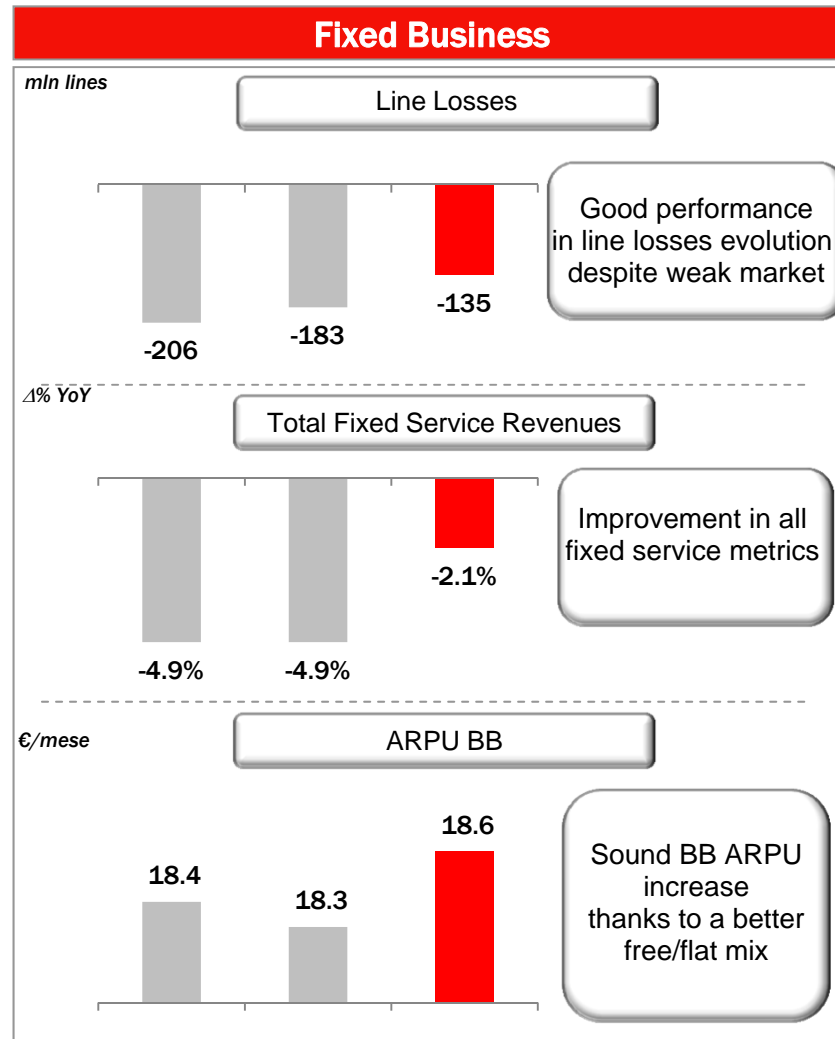
# 2011 Domestic Performance Dashboard

Organic data



(\*) Mobile Retail Service Revenues net of Incoming

2011 Quarters in sequence



2011 Quarters in sequence

## TI Group 9M11 Key Achievements

### Domestic

**Mobile:** 1) Solid Customer Base growth (+419K QoQ), with a focus on quality acquisition, 2) outgoing prices stabilization QoQ, 3) YoY still positive trend on outgoing voice volume (+8% YoY), 4) Retail Browsing Revenues accelerated growth (+19.3% YoY, delivered a in Domestic sound growth in Mobile Revenues (-6.5% YoY in Q3 vs -7.6% YoY in Q2), despite MTR reduction.

**Wireline:** 1) Improving trend in line losses reduction, 2) stabilization in BB Market Share, 3) BB ARPU QoQ increase and 4) tariff measure from July, delivered an improvement in Core Domestic Wireline Service Revenues (-2.1% YoY in Q3 vs -3.5% YoY in Q1 and Q2).

### Latam

**Brazil :** 1) TIM confirmed as #2 operator in volume and value (about 3.7 million lines added in the last Quarter), 2) brilliant Revenue growth on 3Q2011 (+18.9% yoy), 3) sound Ebitda performance: +11% YoY in 3Q11

**Argentina:** 1) Personal # 2 Mobile Operator, with 17.8 mln clients and solid growth in postpaid segment, 2) steady growth in fixed BB accesses (+13% vs 9M10), 3) important Revenue growth (+27%) delivered

### Financial Discipline

**Operating Free Cash Flow:** 4.52 bln € (+1.07 bln € YoY, +684 mln € excluding Sparkle settlement)

**Adj. Net Financial Position:** 29.95 bln €  
(-1.52 bln € vs FY10, -3.04 bln € vs 9M10, after 1.3 bln € Dividend Payment)

# Back-up

# TI Group - Main Results of Core Markets

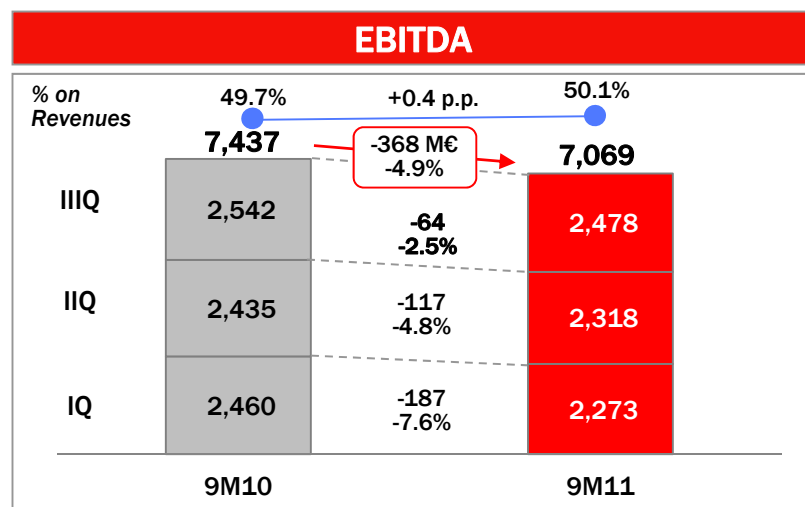
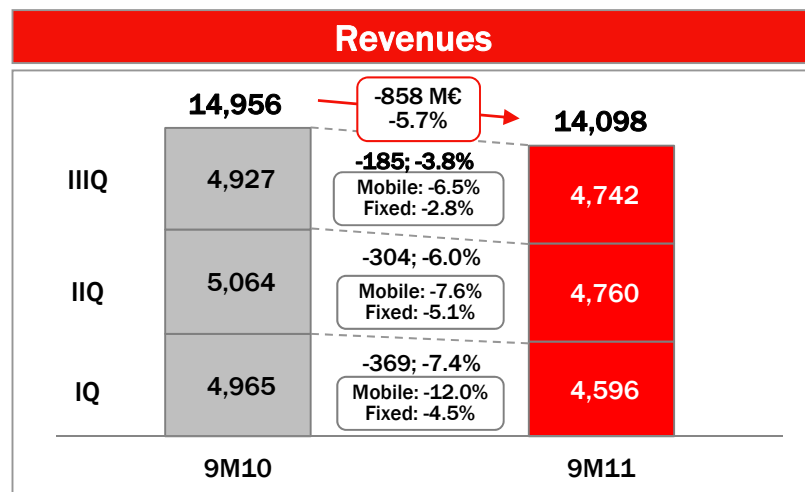
Euro mln, Organic Data

	TI Group		Domestic		Brazil		Argentina		
	9M11	Δ% yoy	9M11	Δ% yoy	9M11	Δ% yoy	9M11	Δ% yoy	Weight on TI Group
Revenues	22,059	+1.9%	14,098	-5.7%	5,395	+17.5%	2,324	+27.4%	35%
EBITDA	9,234	-1.0%	7,069	-4.9%	1,447	+10.7%	759	+23.8%	24%
EBITDA-CAPEX	6,044	-1.0%	5,054	-4.4%	640	+16.3%	428	+26.7 %	
Lines (mln)	~ 130								
Weight on TI Group					~36%	~46%	~19%		

\* Revenues based on net contributions

# Italy: Revenues & Ebitda Trend

Euro mln, Organic Data, %



## Continued Improvement in Core Markets

- ▶ Visible improvement of Fixed Business
- ▶ Better progressive trend in Mobile Top Line
- ▶ 3Q11 Year-on-Year Ebitda at -2.5%
- ▶ Leadership in Gross Mobile Acquisitions confirmed in 3Q11
- ▶ Positive impact from Fixed Pricing Simplification and reduction in Fixed Line Losses in 3Q (-135k) vs 2Q11 (-183k)

## BB Achievements

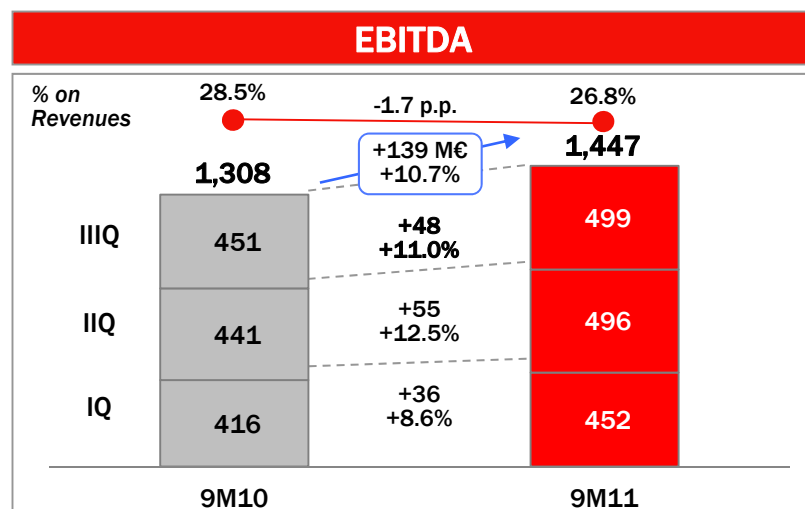
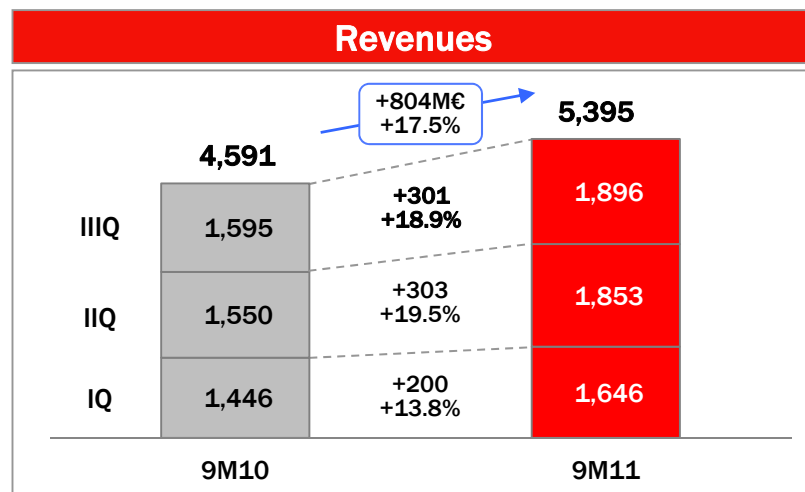
- ▶ Upbeat double-digit performance in Mobile Small Screen Browsing
- ▶ Leading in smartphones market share
- ▶ Value-oriented approach on Fixed BB delivers r an increasing ARPU and a stable market share QoQ

## Developing Innovation

- ▶ Successful introduction of bolt-on offers on Fixed BB paves the way for Personal Cloud services

# Brazil: Revenues & Ebitda Trend

Euro mln, Organic Data, %



## Size

- ▶ TIM Brasil confirmed as #2 operator in volume and value
- ▶ Data revenues on the rise YoY in 3Q11 at +47,6% vs YoY in 2Q11 +33%
- ▶ About 3.7 million lines added in the last Quarter

## Revenue Growth

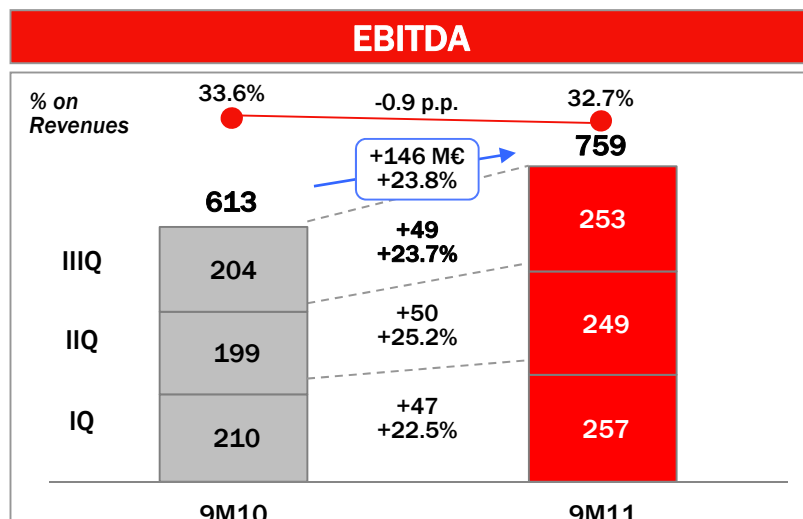
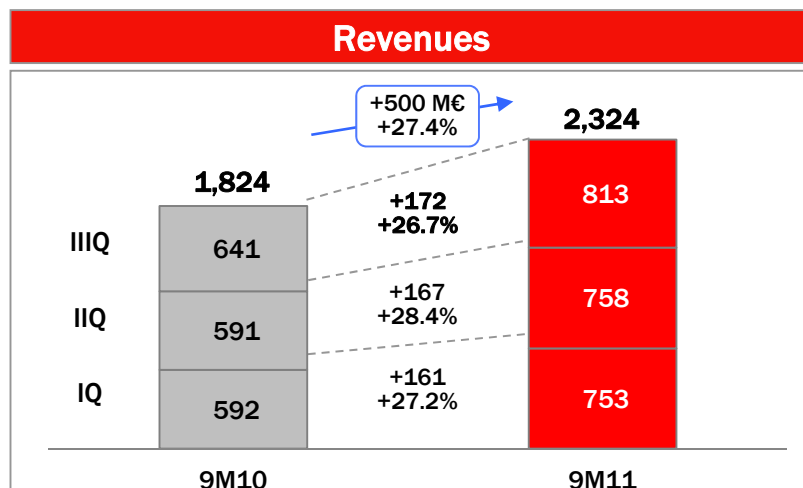
- ▶ Confirmed Voice outgoing revenues double-digit performance in 3Q (+21% YoY)
- ▶ Brilliant Data Revenues performance thanks to continued smartphone penetration increase (now at 19.5%)

## Value Creation

- ▶ Sound Ebitda performance: +11% YoY in 3Q11

# Argentina: Revenues & Ebitda Trend

Euro mln, Organic Data, %



## Size

- ▶ Steady growth in fixed BB accesses (+13% vs 9M10)
- ▶ Argentina # 2 Mobile Operator, with 17.8 mln clients and steady growth in postpaid segment

## Revenue Growth

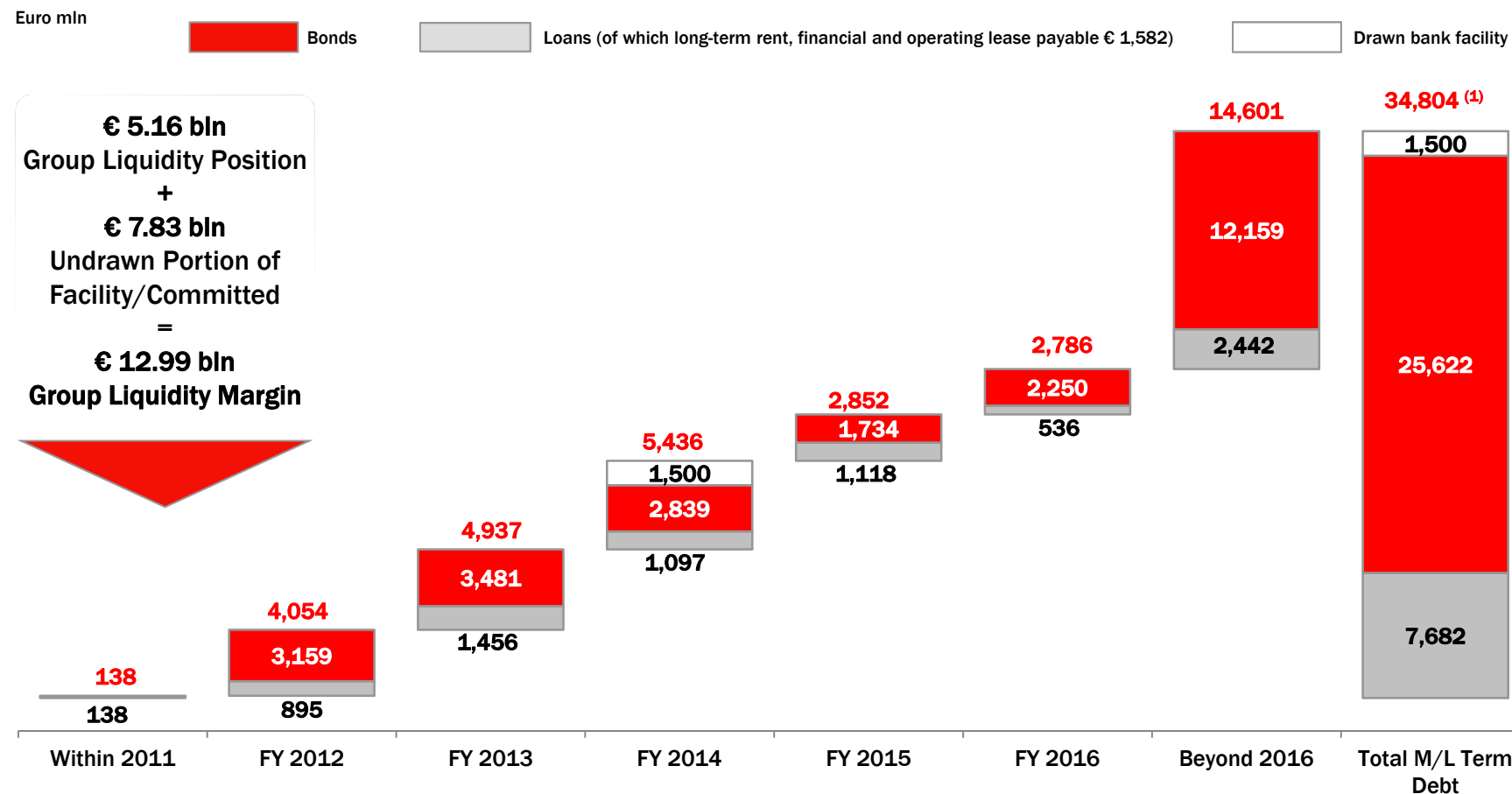
- ▶ Mobile Personal: strong VAS Revenue growth still driven by SMS & Internet
  - ▶ ARPU Personal: ARS 49,8 YTD, +16% YoY
  - ▶ VAS: +58% 9M11 vs 9M10
- ▶ Sound Broadband growth: 3Q11 BB ARPU +14% YoY

## Value Creation

- ▶ Confirmed double-digit EBITDA Growth: +23.7% YoY in 3Q
- ▶ YTD OFCF stands at €428 million
- ▶ Solid cash position (around €300 million in September) also due to the delay in spectrum auction



# Even and Back-Loaded Maturities

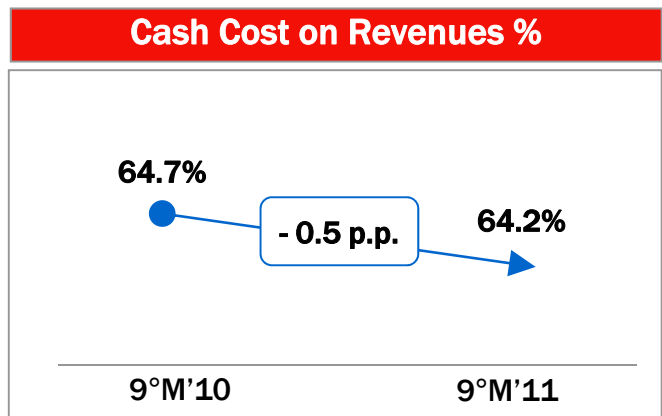
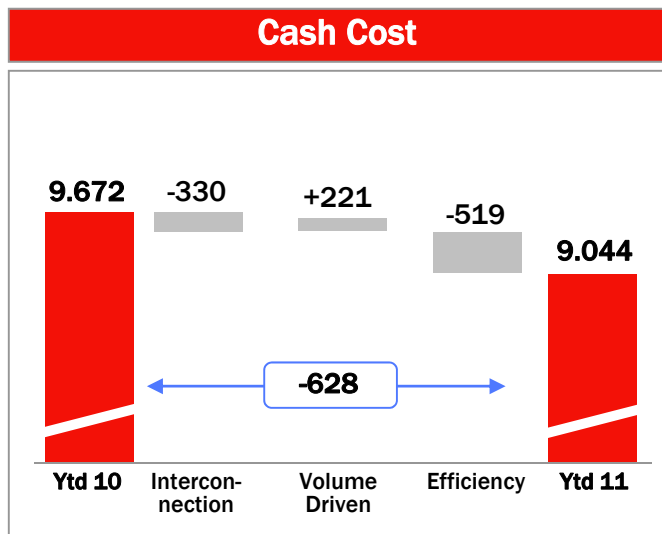


(1) € 34,804 mln is the nominal amount of outstanding medium / long-term debt. By adding IAS adjustments (€ 1,072 mln) and current liabilities (€ 467 mln), the gross debt figure of € 36,343 mln is reached.

N.B. Debt maturities are net of: € 180 mln (face value) of repurchased own bonds (TI Spa € 850 mln 5.25 % Notes due 2065); € 77 mln (face value) of repurchased own bonds (TI Spa € 750 mln 4.75 % Notes due 2014); € 35 mln (face value) of repurchased own bonds (TIF € 1,060 mln 7.75 % Notes due 2033); and € 199 mln (face value) of repurchased own bonds (TIF € 1,000 mln 7.25 % Notes due 2012).

# Progress on Domestic Efficiency Plan

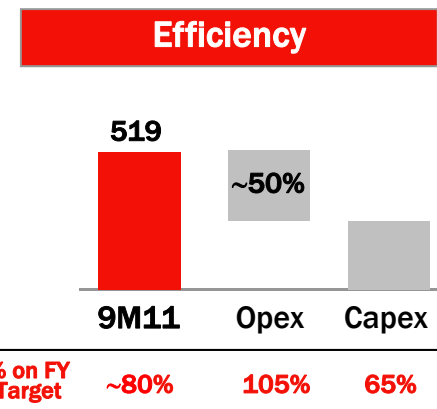
Euro mln, Organic Data, %



### Delta Cash Cost YTD 11 vs YTD 10





	Ytd '11	Δ Abs '11 vs '10
<b>Total Opex</b>	<b>7,029</b>	<b>-490</b>
-----		
ITX	1,745	-330
Handset	589	+30
Mktg & Comm.	1,425	-81
Industrial	699	+1
Personnel	2,203	-138
G&A & Other*	368	+28
<b>Total Capex</b>	<b>2,015</b>	<b>-138</b>
<b>Total Cash Cost</b>	<b>9,044</b>	<b>-628</b>

Fixed Opex -109




\*Includes Other Operating cost/Income and Capitalized Costs

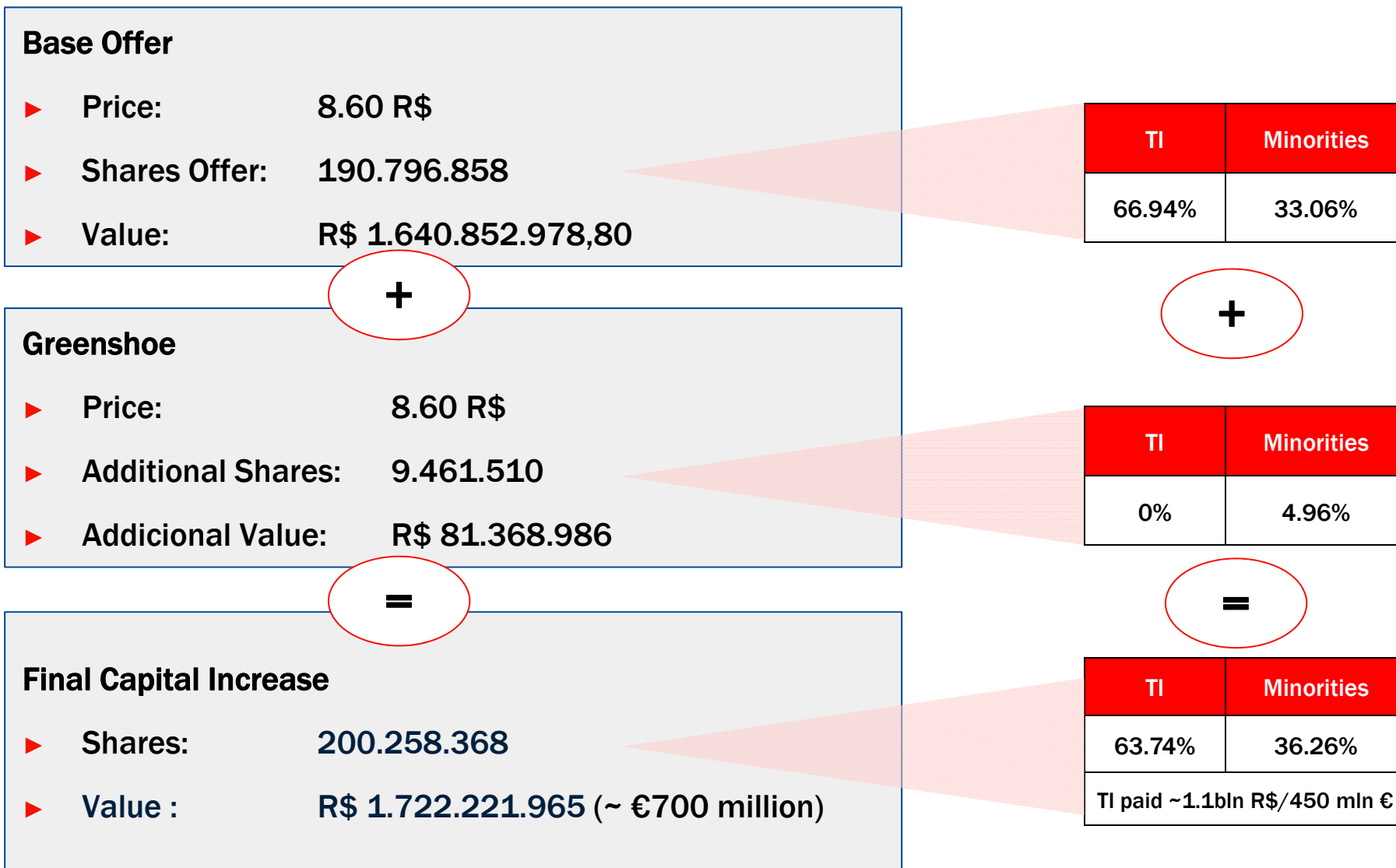
# Italian Spectrum Auction - Outcome

				
800 Mhz	5 Mhz 5 Mhz	5 Mhz 5 Mhz	5 Mhz 5 Mhz	
1800 Mhz	5 Mhz	5 Mhz		5 Mhz
2600 Mhz FDD	5 Mhz 5 Mhz 5 Mhz	5 Mhz 5 Mhz 5 Mhz	5 Mhz 5 Mhz 5 Mhz 5 Mhz	5 Mhz 5 Mhz
2600 Mhz TDD				15 Mhz 15 Mhz

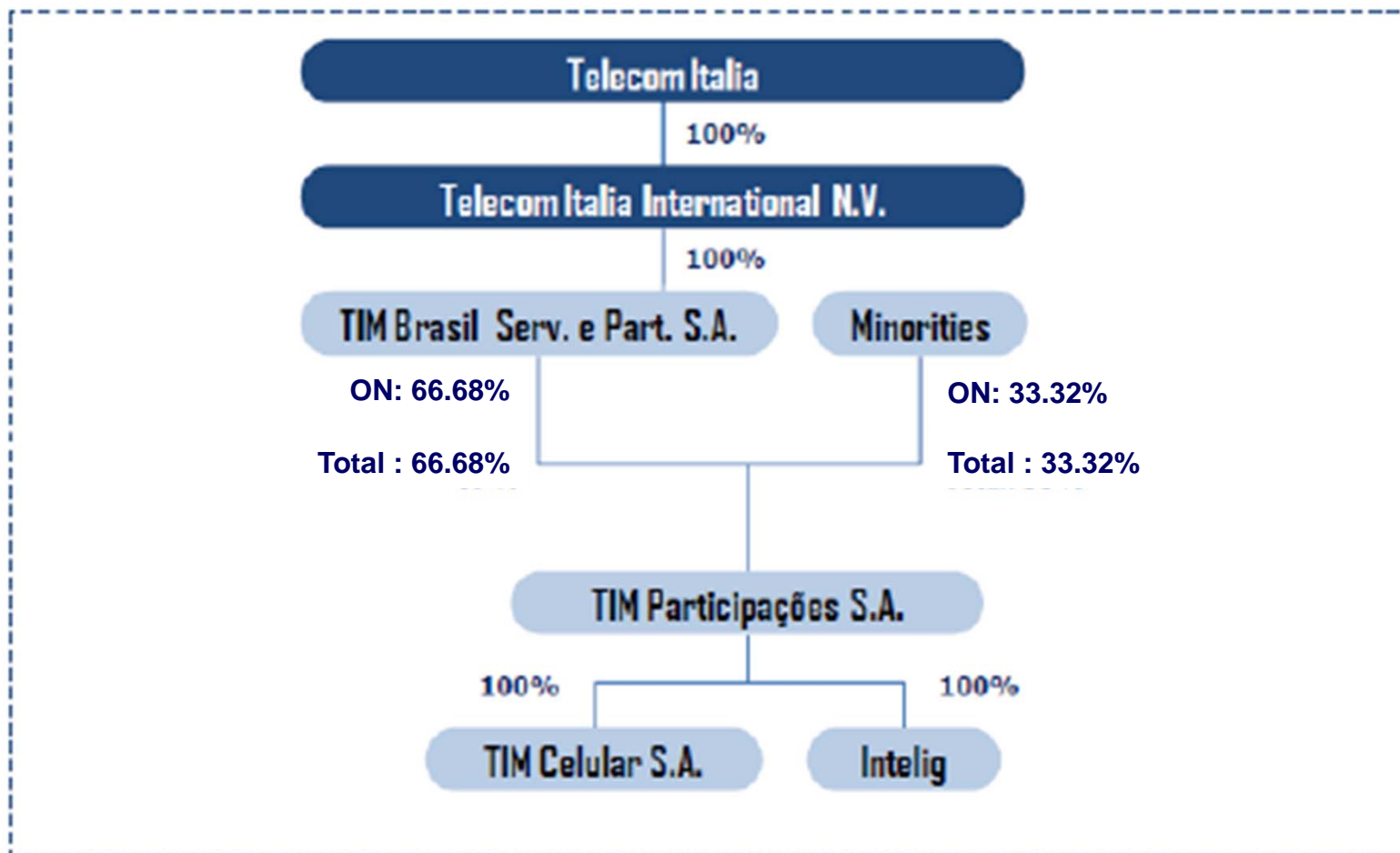
Specific Block 

# TIM Brasil Capital Increase



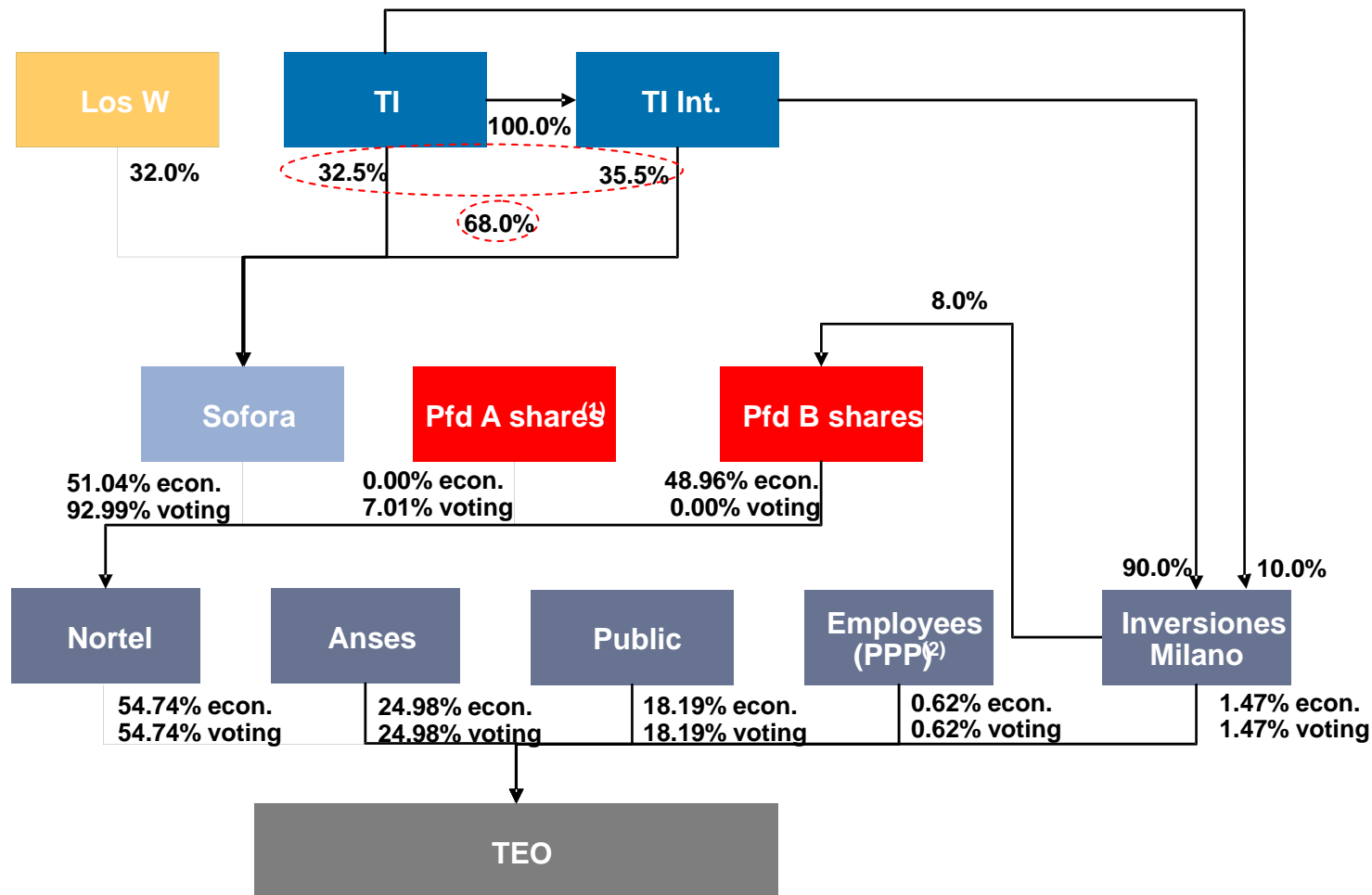
# TIM Brasil– Shareholders Structure

After capital increase and including greenshoe



# Telecom Argentina – Shareholders Structure

**TI Economic Interest  
 in TA: 22.61%**  
 (as of 27 October 2011)



(1) Considering the payment of the dividends due for the previous years, Nortel's Preferred A Shares will lose their voting rights.  
 (2) Data as of October 31, 2011.