PRESS RELEASE

TELECOM ITALIA FINALIZES AGREEMENT TO RAISE TELECOM ARGENTINA STAKE

Rome, 14 October 2010

Telecom Italia announces the formalization yesterday of an agreement to increase its stake in Sofora Telecomunicaciones S.A. - the holding company which controls Telecom Argentina - from 50% to 58% of the company’s capital.

Antitrust and TLC Regulatory authorities, on the basis of provisions stipulated in an agreement reached on the 5th of August 2010 between Telecom Italia and its Argentine partner, Werthein - described in a press release distributed on that date – have approved the transaction that will allow Telecom Italia to acquire a majority stake in Sofora and, consequently, control of Telecom Argentina.

The increase in the Sofora stake does not call for any cash disbursement by Telecom Italia and will allow the Group to consolidate “line by line” the economic results of Sofora/Telecom Argentina starting from the Fourth Quarter 2010.

In accordance with IAS/IFRS (IFRS 3 revised) accounting principles, the agreement will have a positive one-off effect on the bottom line of the Telecom Italia’s Fourth Quarter 2010 Consolidated Profit and Loss Statement of around 250 million euro arising from the recalculation at Fair Market Value, as of the date of acquiring control, of the Sofora stake previously held. The transaction will not have an impact on the accounts of Telecom Italia S.p.A.

The Telecom Argentina Group reported in the first six months of 2010, revenues for around 1.3 billion euro with an EBITDA of approximately 400 million euro (unaudited data, reclassified according to IAS/IFRS, exchange rate is ARS/EUR 5.13).

The net financial position of the Argentine companies at 30 June was approximately 120 million euro.

Approval by national authorities comes after a lengthy and thorough examination of the regulatory background and of effects on the competitive environment, as well as commitments undertaken by both parties guaranteeing the complete separation of Telefonica and Telecom Italia as regards their activities in Argentina. Measures have been agreed upon to ensure there will be no influence or participation on the part of Telefonica in any Telecom Italia decision-making process concerning its Argentinean subsidiaries. Further, restrictions have been introduced regarding commercial and operational relations between the two Groups within the Argentinean market.

Among the most important measures, the prohibition that Telefonica and its representatives not participate in or exercise the vote in corporate board meetings of Telco, Telecom Italia and its subsidiaries when subjects related to TLC activities in the Argentinean market are addressed. In addition, Telefonica
cannot participate in the designation of administrators or directors of Telecom Italia subsidiaries in Argentina.

Finally, the agreement gives Telecom Italia full control over the management of Telecom Argentina through the appointment of the President and the Chief Executive Officer. W Group will assume responsibility for verifying full respect of the accords regarding Telecom Argentina through an independent Regulatory Compliance Committee constituted for this purpose.

As a consequence of yesterday’s transaction, Telecom Italia will relinquish its call options relating to the purchase of Sofora shares.

The Telecom Argentina Group is one of the largest telecommunications operators in Argentina and provides fixed-link public, local, national and international long distance services, cellular, Internet and data transmission services.

The Telecom Argentina Group carries out its main activities through Telecom Argentina S.A. (fixed telephony, data transmission and internet) or its subsidiaries: Telecom Personal S.A. (cellular), Nucleo S.A. (cellular in Paraguay).

Telecom Argentina S.A. is listed on the Buenos Aires (Bloomberg ticker: TECO2) and New York (Bloomberg ticker: TEO) stock exchange.

As of June 30, 2010 the Group had approximately 15.3 million mobile customers, an increase of over 13% compared to June 2009, and approximately 4.1 million wireline customers. Broadband clients at the date were approximately 1.3 million, up 15% compared to the same period of the previous year.

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**Telecom Italia**  
**Press Office**  
+39 06 3688 2610  
[http://www.telecomitalia.it/media](http://www.telecomitalia.it/media)

**Telecom Italia**  
**Investor Relations**  
+39 06 3688 3113  
[http://www.telecomitalia.it/investorrelations](http://www.telecomitalia.it/investorrelations)