

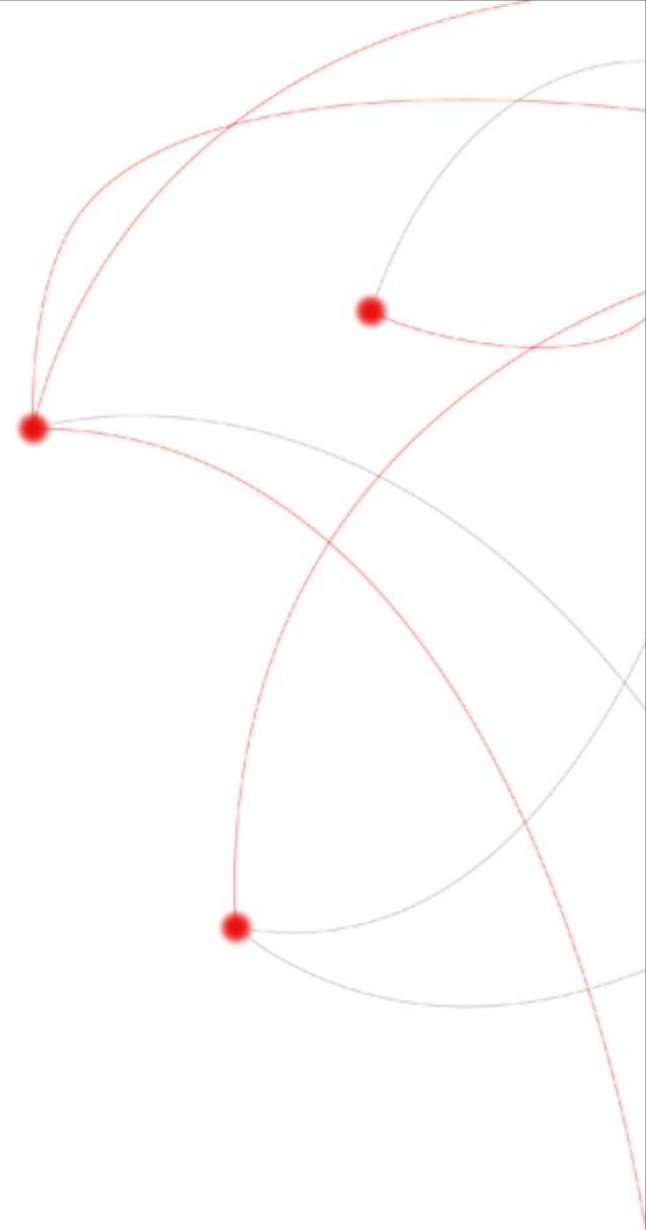
TELECOM ITALIA GROUP

9M 2009 Results

Milan, November 5th, 2009

Telecom Italia 9M 2009 Results

FRANCO BERNABE'



Safe Harbour

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Agenda

- ▶ **TI Group Main Achievements**
- ▶ **Focus on Domestic Business**
- ▶ **Focus on TIM Brasil**
- ▶ **Focus on HanseNet**
- ▶ **Wrap Up**
- ▶ **Appendix**

TI Group 9M 09 Progress Report

Focus on
Core
Markets:
Domestic
&
Brazil

Financial
Discipline

Improved Cash Flow Generation
+515M€, +15% YoY

Improved Operating Profitability:
Ebitda 8.6BN€ - Stable YoY (Ebitda Margin +1.8 p.p. YoY)

Strong Cash Cost Control:
Cash Cost -1,146M€, -7.3% YoY

Improved Domestic Ebitda trend:
-0.4% 3Q; -0.7% 2Q; -4.4% 1Q

Brazil Defending Profitability:
Ebitda 880M€ - Ebitda Margin 24.3% (+2.3 p.p. YoY)

Disposal of non-core assets:
HanseNet expected cash in ~900M€

Reduced Average Cost of Debt: 5.5% vs. 6% at YE08

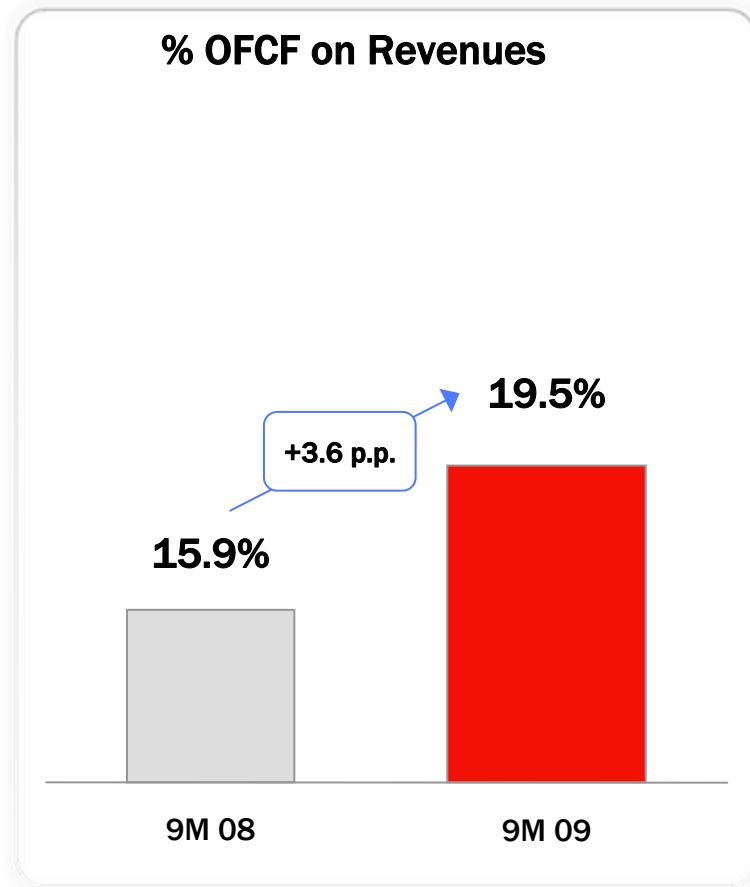
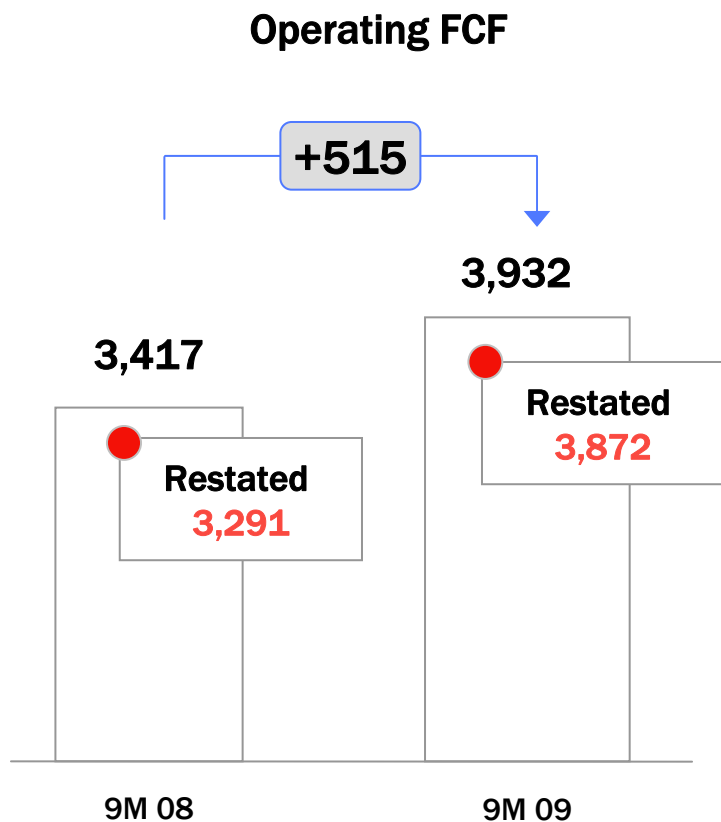
Restated with HanseNet
+581 M€, +18% YoY

Restated with HanseNet
Ebitda 8.8BN€ - Stable YoY
(Ebitda %+1.8 p.p. YoY)

Figures considering HanseNet classified as Discontinued Operations
Restated Figures include HanseNet consolidated line by line

Improved Operating Free Cash Flow

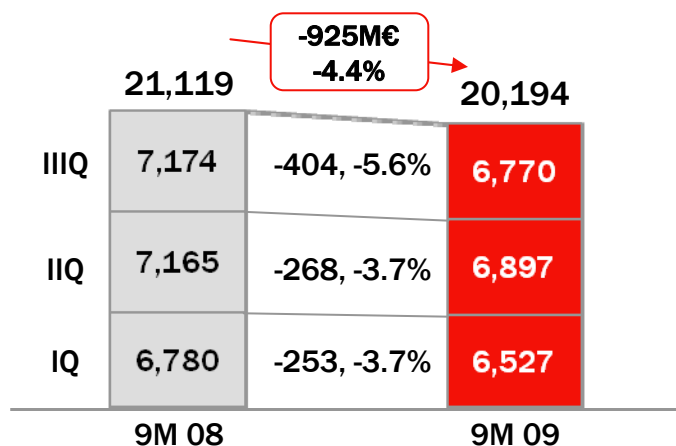
Euro mln, Reported data



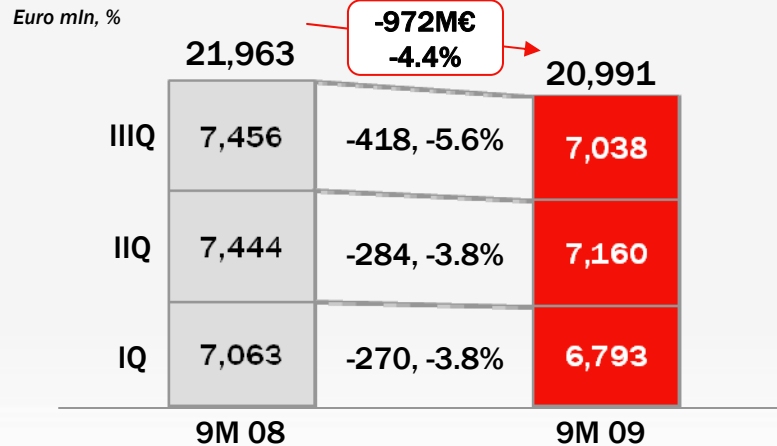
Figures considering HanseNet classified as Discontinued Operations; Restated Figures include HanseNet consolidated line by line

TI Group Improved Profitability: Organic Results vs. 2008

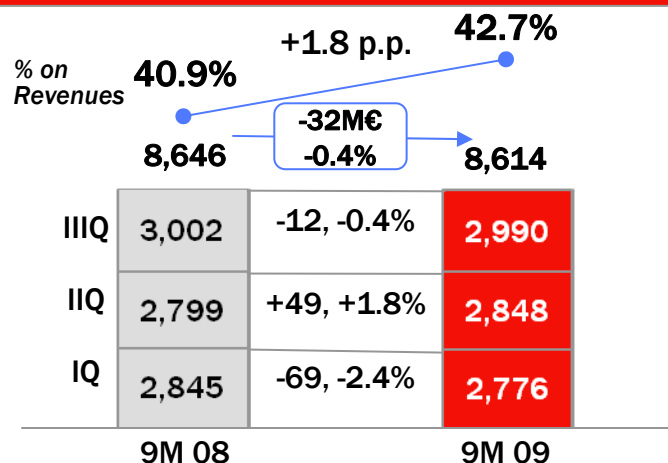
Revenues



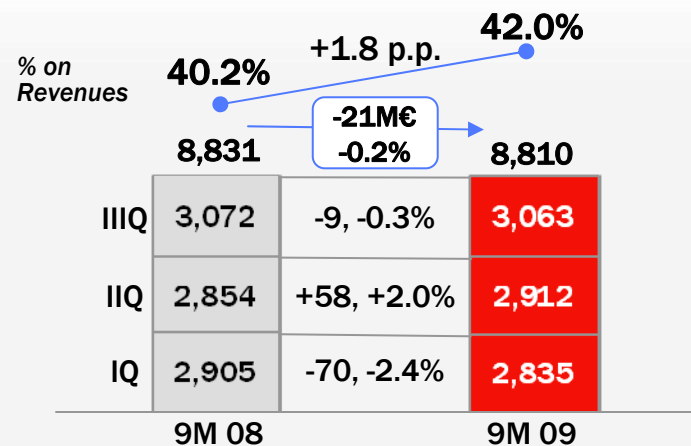
Revenues – Restated with HanseNet



EBITDA



EBITDA – Restated with HanseNet



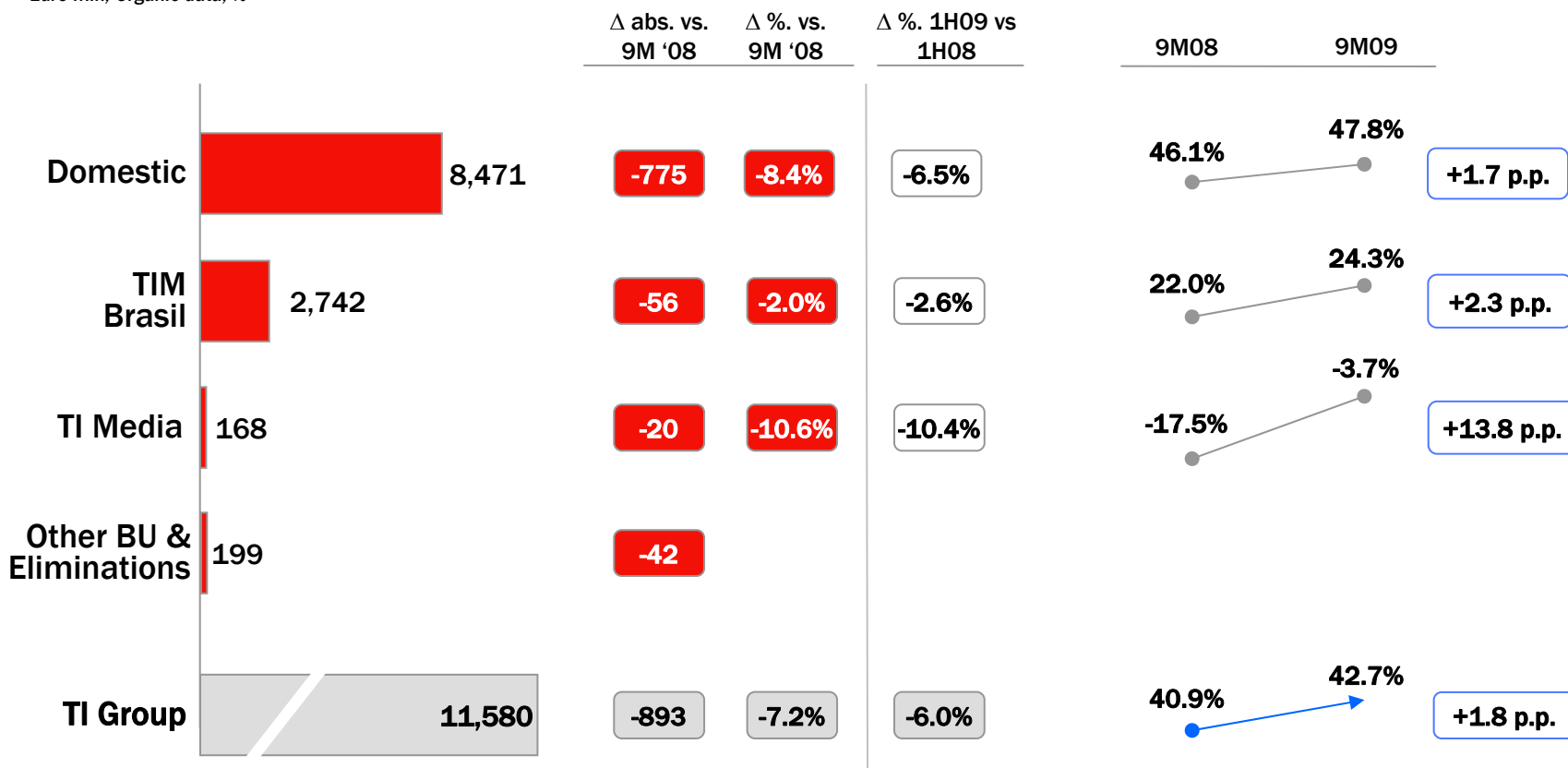
Figures considering HanseNet classified as Discontinued Operations; Restated Figures include HanseNet consolidated line by line

Cash Cost Control: a Group-Wide Commitment

Organic OPEX 9 Months 09

EBITDA Margin

Euro mln, Organic data, %



Figures considering HanseNet classified as Discontinued Operations

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Domestic – Steady Cost Control Offsetting Revenue Decline

Euro mln, Organic data, %

Revenues

	9M 08	Change	9M 09
Total	17,159	-920M€ -5.4%	16,239
Mobile	7,085	-589, -8.3%	6,496
Wireline	11,168	-198, -1.8%	10,970
Elim & adj	-1,094		-1,227

EBITDA

	9M 08	Change	9M 09
Total	7,913	-145M€ -1.8%	7,768
IIIQ	2,687	-11, -0.4%	2,676
IIQ	2,568	-18, -0.7%	2,550
IQ	2,658	-116, -4.4%	2,542

% on Revenues 46.1% **+1.7 p.p.** 47.8%

Key Highlights

Fixed business:

- ▶ stable retail service revs* (down 5% in 3Q09, in line with 2Q09) with strong growth from BB and ICT services.
- ▶ small decline of total revenues performance vs. 2Q09 due to lower equipment sales in the business segment and lower contribution of wholesale

Mobile business:

- ▶ Decline of service revenues trend reflecting impact of repricing in 3Q08
- ▶ Strong push on mobile BB reflected into strong pick-up of browsing revs

- ▶ 9M 09 EBITDA trend confirms outperforming EBITDA guidance for 2009 (9.9-10 bln euro, down YoY -3/4%)

- ▶ EBITDA margin reached 50% in 3Q09 confirms TI as the industry benchmark for profitability.

- ▶ Effective & selective action on OPEX base

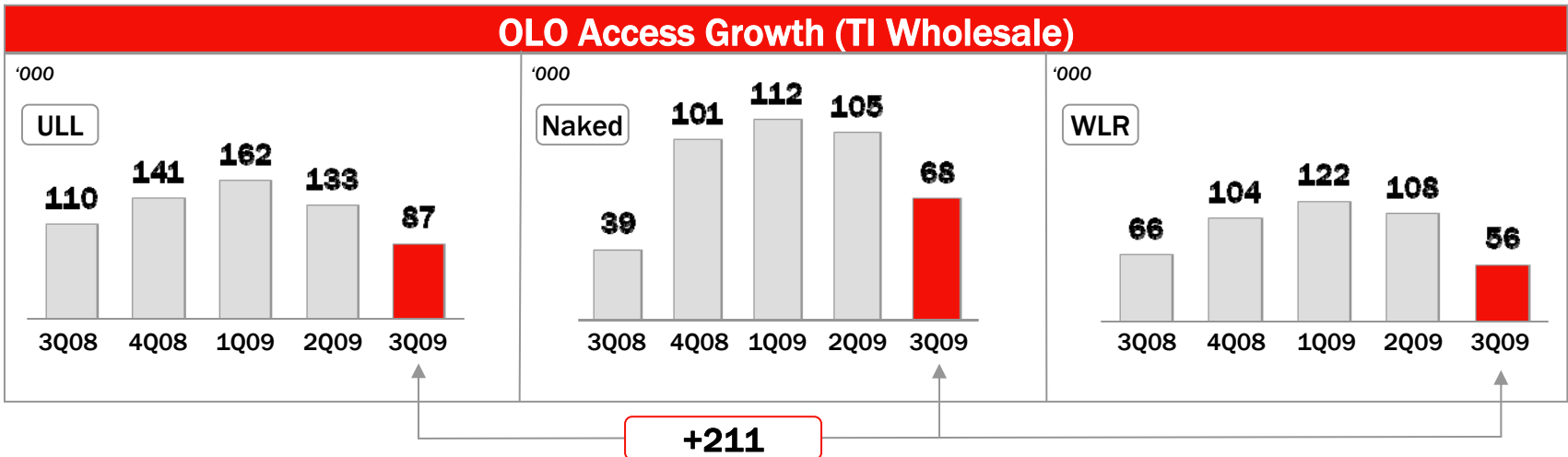
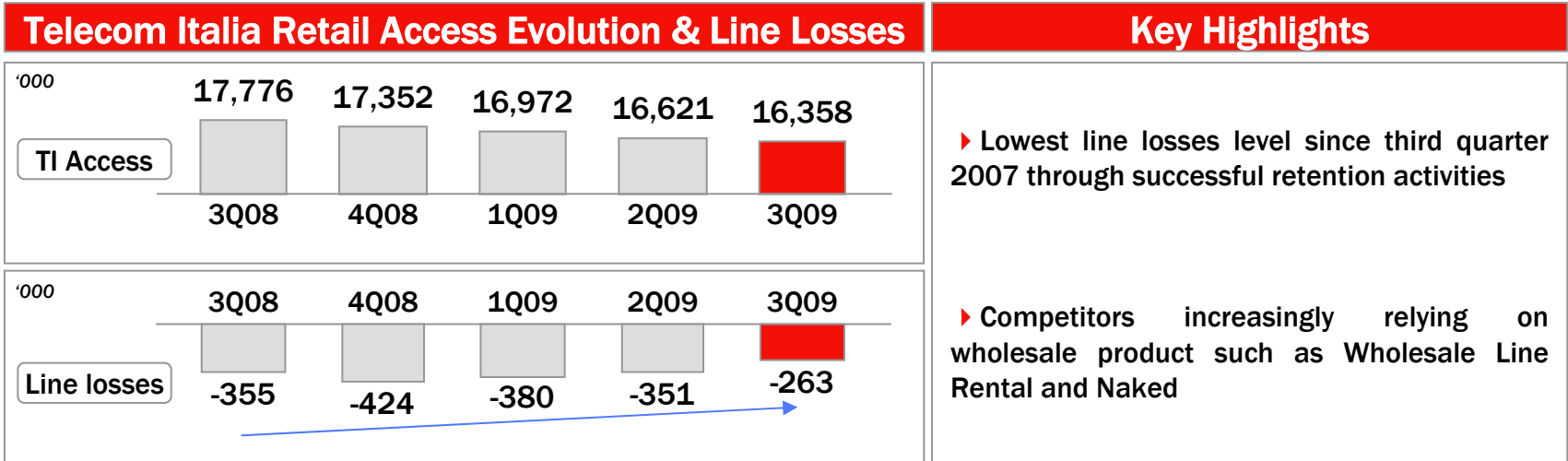
Ebitda 2009 Target confirmed

9.9 – 10.0 BNE

* Wireline service revenues net of wholesale revs (both national & intl)

Domestic Fixed – TI Access Performance

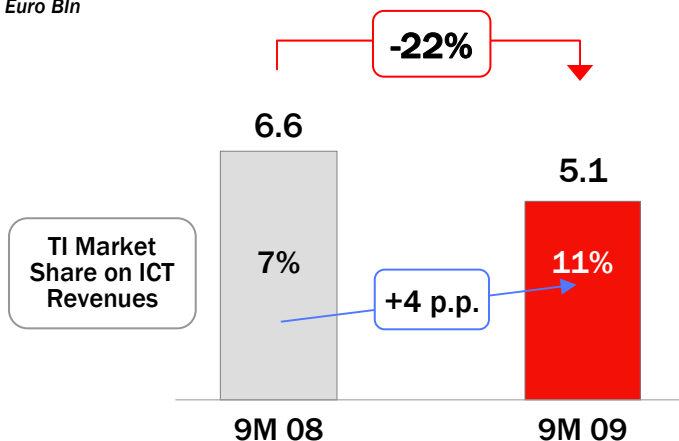
'000 access



Domestic Fixed: Focus on ICT

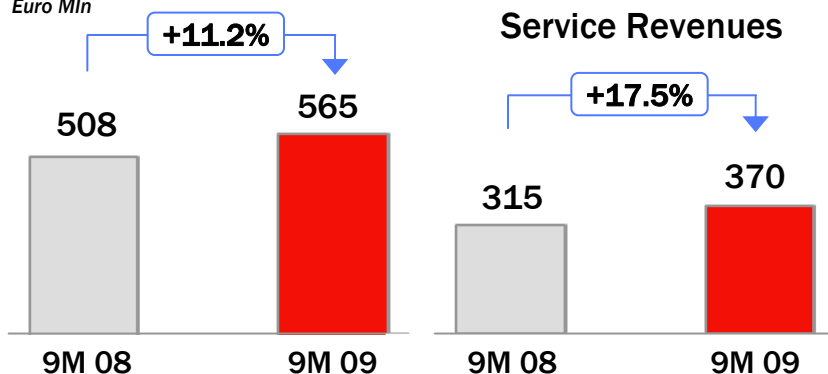
Italian ICT Market Revenues Trend (*)

Euro Bln



Focus Telecom Italia ICT Revenues

Euro Mln



(*) Source SIRMI

Key Highlights

Continuously improving TI scale in a highly fragmented ICT Market with an unique end-to-end proposition

Top / Large Account segment

Public Administration

- ▶ Fully maximize the value of CNIPA contract won in 2007, through
 - ▶ Successful Web hosting, data center and application/desktop management for big Customers such as INPS, INAIL and Ministry of Justice

Private sector

- ▶ Continuous up-take of an *Infrastructure as a service* business model based on monthly fee pricing structure

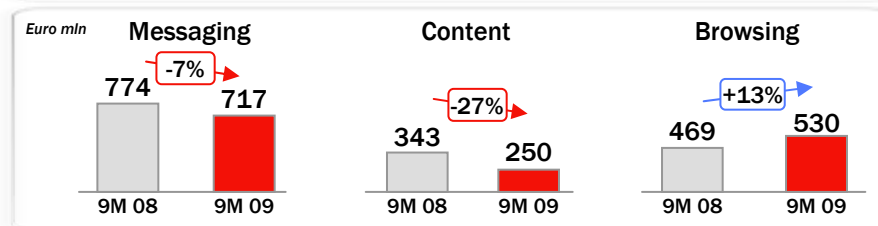
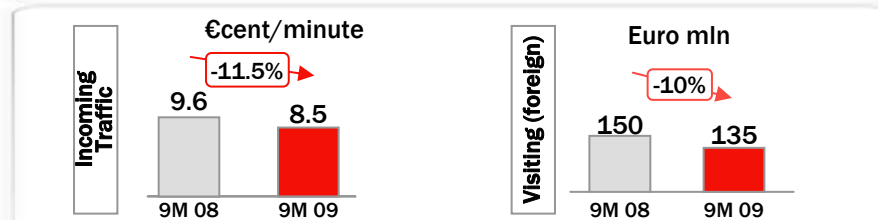
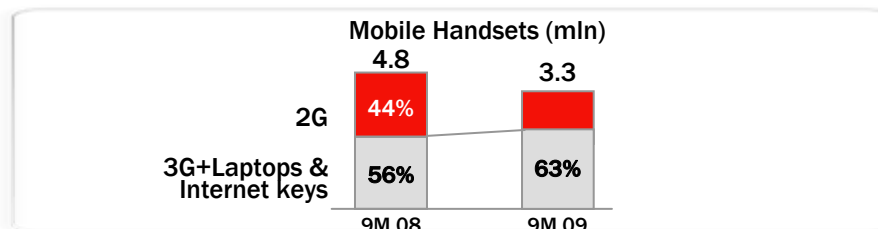
Business segment

- ▶ Strong push on segment-specific offerings under the "Impresa Semplice" brand
- ▶ Standardizing off-the-shelf solutions for SME customers, by creating bundles of products, to simplify the marketing process /adoption of solutions

Domestic Mobile Revenues

Euro mln

	9M'09	Δ% YoY	
Total	6,496	(8.3)	-
Handsets	339	(33.3)	(2.4)
Outgoing Voice	3,508	(5.5)	(2.9)
o/w Roaming	177	(16.9)	(1.8)
Business Received *	1,152	(10.1)	(1.8)
VAS	1,497	(5.6)	(1.2)



(*) Incoming, Visiting and Other Revenues

Focus on Consumer Main Achievements in 3Q09

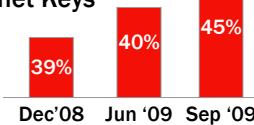
Key Activities

Offer

- ▶ Increased push on mobile BB
- ▶ Enriching TIM community products
- ▶ Further push to improve fixed BB penetration

Key Evidence

TIM market share on Internet Keys*



TIM x 2 ARPU uplift

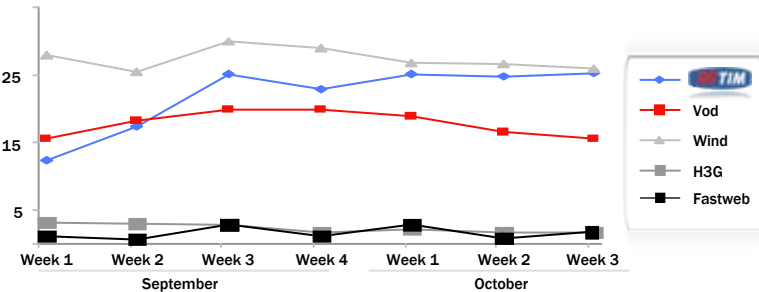


- ▶ Continuous reduction of BB churn rate

Advertising

- ▶ A new format with very popular testimonials for both fixed and mobile
- ▶ Highly commercial communication style to maximize acquisitions
- ▶ Continued on air presence until year-end

- ▶ Strong improvement of spontaneous awareness



Sales & Distribution

- ▶ Push of multi-brand channels to improve win-back capabilities
- ▶ New geomarketing approach in segmenting points of sale
- ▶ Strong push on BB acquisition trough Telemarketing channel

- ▶ Continuous increase in multi-brand targeting 200 PoS by YE
- ▶ Launch of a specific sales channel fully focused on Ethnic segment
- ▶ Around 60% of BB September activation through 187 channel

(* Source GFK)

Main Actions for 4Q09 – Consumer Segment

Improve
market
positioning
all across
the board



Increase ADSL acquisition

- ▶ Launch of a new Tutto Compreso offer for RTG customers
- ▶ Push ADSL penetration bundling PC & BB connectivity (46% of households do not own a PC)



Raise the game on Internet Mobile

- ▶ Increase up-selling push of mobile BB on existing BB customers with billing on TI monthly fee
- ▶ First and only to launch 14.4 Mbps speed



Continue the turnaround of the mobile business

- ▶ Further enrich friend & family offers adding TIMx4, with no activation fee for new TIM customers
- ▶ Launch tailor made tariffs for further ethnic segment leveraging with TI Sparkle – a key TI advantage
- ▶ Fewer handsets but more TIM exclusivity

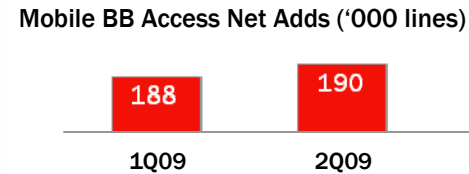
Focus on Business Main Achievements in 3Q09

Key Activities

Key Evidence

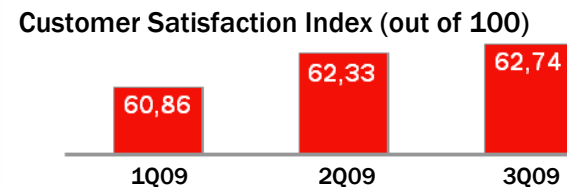
Offer

- ▶ Improved TI positioning based on Impresa Semplice brand and higher Quality of Service
- ▶ Increased commercial effort to improve percentage of BB services on Win-back and new customers
- ▶ BB Churn reduction due to higher Quality of Services
- ▶ Launch of new bundle offers: device + browsing / mailing services (to be continued in 4Q)



Customer Satisfaction

- ▶ Improved competitiveness and simplicity of both Fixed and Mobile offering
- ▶ New go-to-market approach, with fixed-mobile sales force integration and customer portfolio management



Main Actions for 4Q09 - Business Segment



Fixed: sustain price premium positioning & improve QoS

- ▶ Line repair within next business day, free of charge: at least 3 times faster than average competitors SLAs
- ▶ Double upload rate on 20Mbit/s connection free of charge

Impresa Semplice

ICT: letting every Italian company experience TI's superior infrastructure

- ▶ Bundling PC and ICT services to broaden certified @mail and remote backup penetration
- ▶ New "Tutto Compreso" offer: a turn key solution including minimum guaranteed speed connectivity, scalable Cisco router and customer service assistance on the following working day



Mobile: improve acquisition and VAS penetration

- ▶ Voice minutes basket shared among company employees for SMEs
- ▶ Tailor made bundle for SoHo including voice, handsets and bolt-on SMS & Data features.
- ▶ Enriching mail and browsing portfolio offering, adding Flat solutions for light users and heavy users

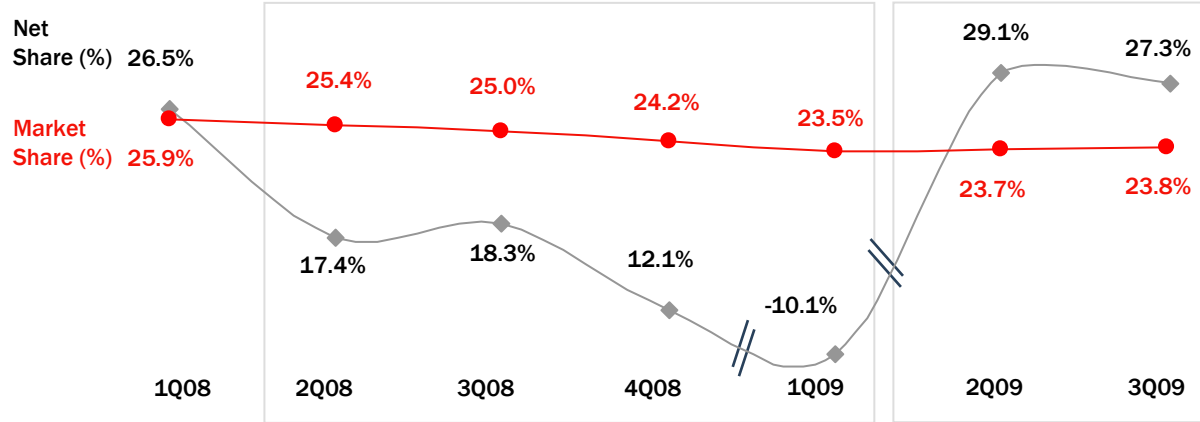
Defend our core strength, attack adjacent businesses

Agenda

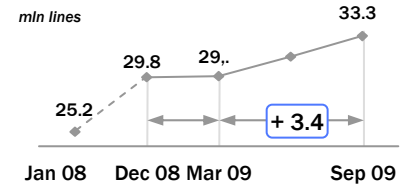
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TIM Brasil: Improving Market Share & Quality Service

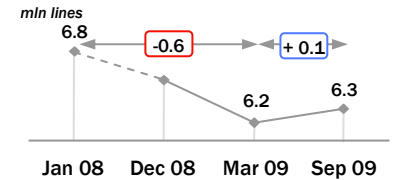
Market Share Evolution



Prepaid

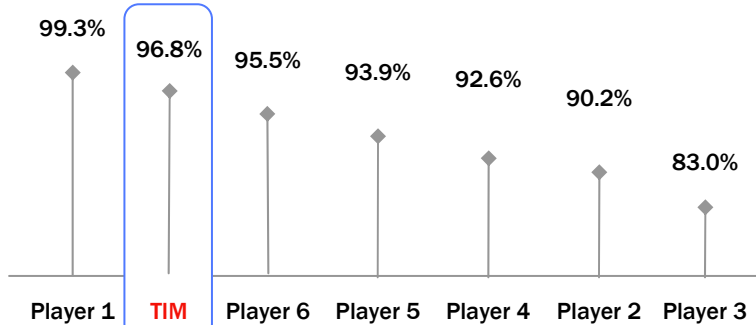
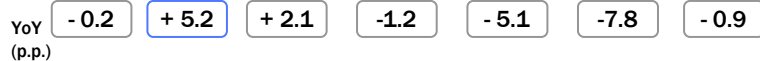


Postpaid



Overall Quality Service – YTD 2009

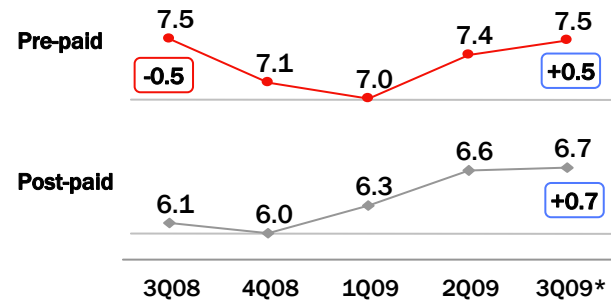
% of target reached on overall service quality, TIM vs. competitors



Source: Anatel

Customer Satisfaction

CRC Average satisfaction, consumer segment



* Jul/09 e Aug/09

Sources: TIM Brasil - 12nd Customer Satisfaction Monitoring - may-jun/09; CRC Monthly Satisfaction Research

TIM Brasil: Organic Main Results

Revenues

Euro mln, %

	3,588	+34M€ +1.0%	3,622
IIIQ	1,336	-13, -1.2%	1,323(*)
IIQ	1,198	+40, +3.4%	1,238
IQ	1,054	+7, +0.7%	1,061
	9M 08		9M 09

EBITDA

	22.0%	+2.3 p.p.	24.3%
	790	+90M€ +11.5%	880
IIIQ	328	-4, -2.0%	324
IIQ	254	+50, +20.1%	304
IQ	208	+44, +20.7%	252
	9M 08		9M 09

Key Highlights

- ▶ Top line limited growth affected by long tail effects from 2008 loss in post-paid customer base
- ▶ Good performance of Value Added Services fuelled by microbrowsing stimulated through exclusive and distinctive offers of smartphones
- ▶ Lower push on 2G handset sales in order to stimulate a "Chip-only" approach
- ▶ Ebitda margin increase driven by:
 - ▶ Lower bad debt
 - ▶ Continued cash cost efficiencies
 - ▶ Improved revenue mix

Ebitda 2009 Target confirmed

~3.6 BNR\$

(*) 80 million reais (approx. 28 million euro) reclassified from "Other Operating Income" to "Other Service Revenues"

No EBITDA impact. No reclassification of previous year needed at TI Group level

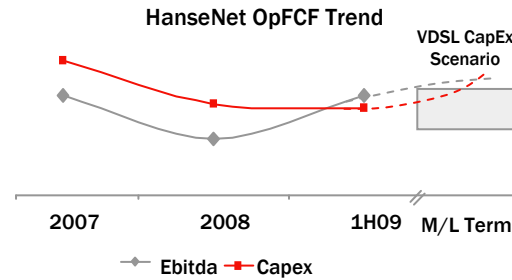
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Focus on HanseNet: the Rationale behind the Disposal

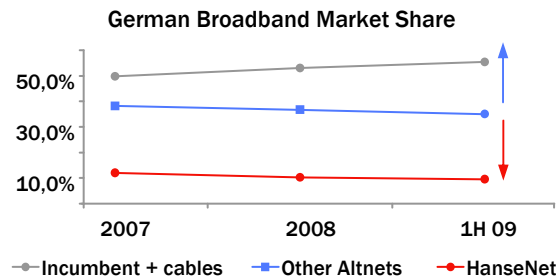
REGULATORY AND TECH FRAMEWORK

- ▶ Regulatory framework very unfriendly towards alternative operators
- ▶ Capital intensive investments needed to match incumbent's "High Speed" offering (VDSL/Fiber) compromising OpFCF generation



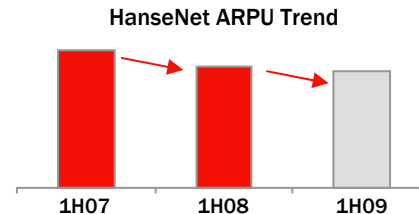
MARKET SHARE EVOLUTION

- ▶ BB market is growing at a slower pace...
- ▶ ... with incumbent and cable operators reinforcing their position...
- ▶ ... and alternative operators lagging behind



PRICING TREND

- ▶ Continued pricing pressure with very aggressive promotions by alternative operators trying to catch up with not replicable "High Speed" offers

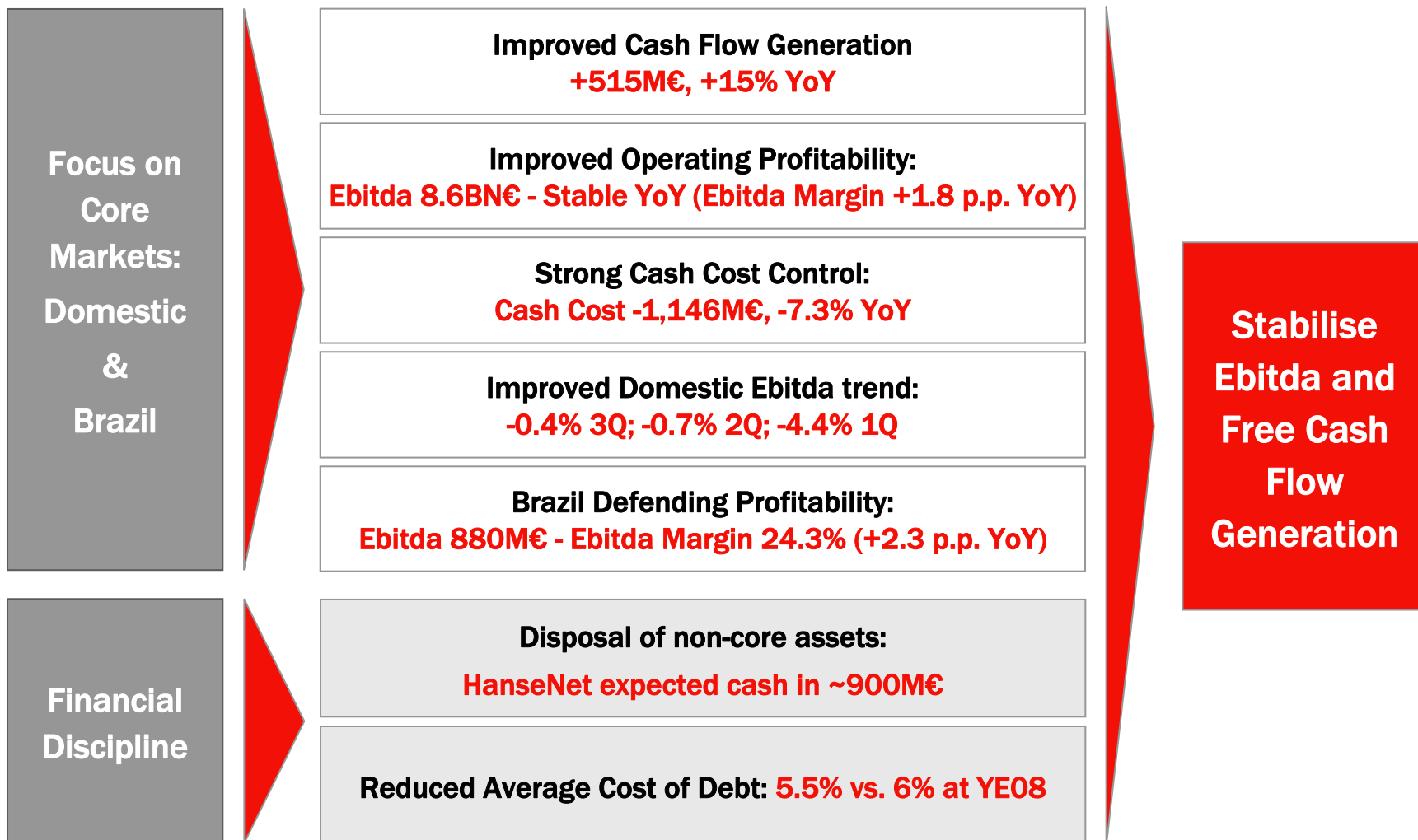


- ▶ **~900M€** expected cash consideration
- ▶ **Implied value per sub at significant premium vs. comparable transactions in the last twelve months**

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Figures considering HanseNet classified as Discontinued Operations

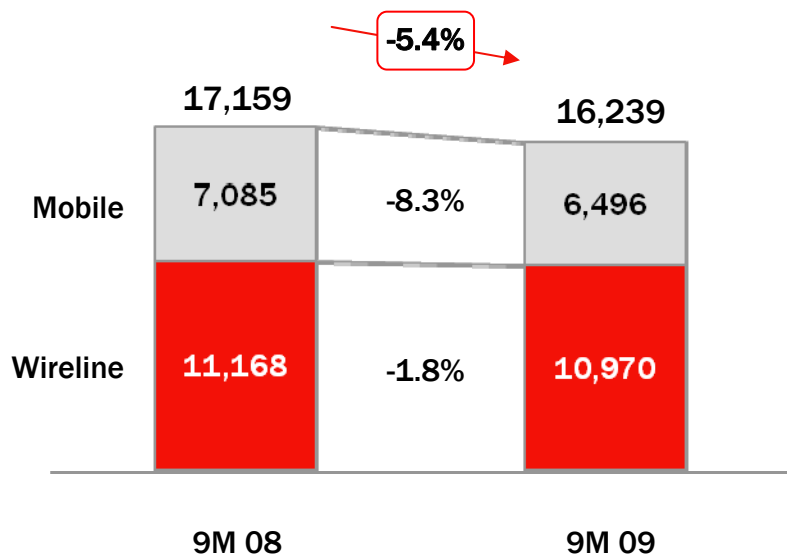
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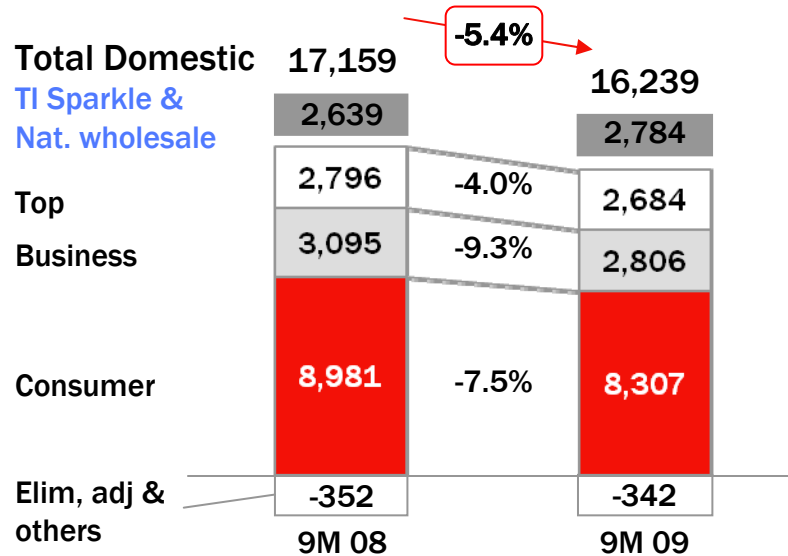
Domestic – Revenues by Customer Segment and Technology

Euro million, %, Organic data

Domestic Revenues by Technology



Domestic Revenues by Customer Segment



	1Q09	2Q09	3Q09
Domestic	5,357	5,534	5,348
Mobile	2,059	2,253	2,184
Wireline	3,677	3,724	3,569