

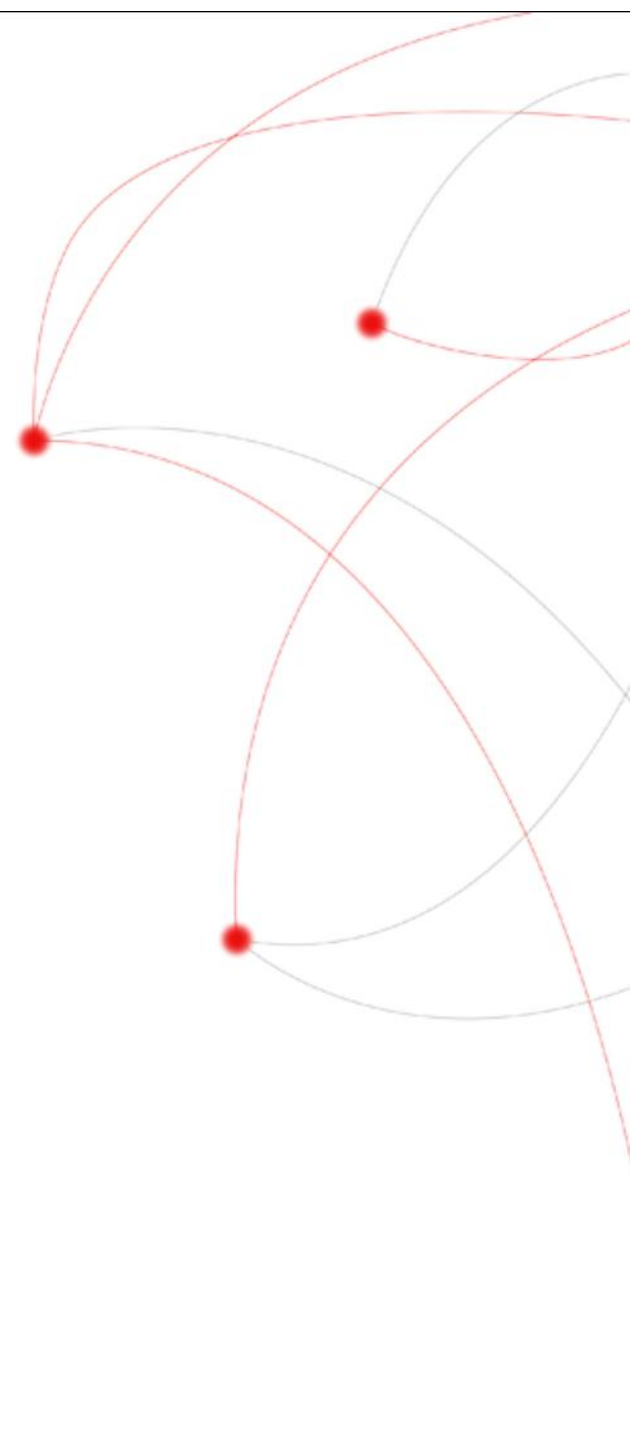
TELECOM ITALIA GROUP

## 1H 2011 Results

Milan, August 5<sup>th</sup>, 2011

# Telecom Italia 1H 2011 Results

FRANCO BERNABE'



## 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.

It should also be noted that starting from the year 2010, Telecom Italia reclassified some taxes paid in Brazil of non-material amount, previously included in "Other operating expenses", in reduction of "Revenues" and "Other income" in order to ensure a better comparability and intelligibility of the financial information.

## Agenda

- ▶ **TI Group 1H11 Results**
- ▶ **Telecom Italia Core Markets Results**
  - ▶ Italy
  - ▶ Brazil
  - ▶ Argentina
- ▶ Appendix

## TI Group 1H11 Key Achievements

Focus on  
Core  
Markets

**Operating Free Cash Flow: 2.5 bln € (+360 mln € YoY, +16.7%YoY)**

**Group Reported Revenues: 14.5 bln € (+10.0% YoY, Org. +1.0% YoY)**

**Group Reported Ebitda: 6.0 bln € (+4.3% YoY)**

**Group Organic Ebitda: 6.0 bln € (-2.0% YoY)**

**Group Ebitda – Capex: 3.9 bln € (+228 mln € YoY, +6.1%)**

**Group Net Income before GW Writedown, ante Minorities: 1.4 bln € (+12.5% YoY)**

**Group Net Income before GW Writedown, post Minorities: 1.2 bln € (-3.5% YoY)**

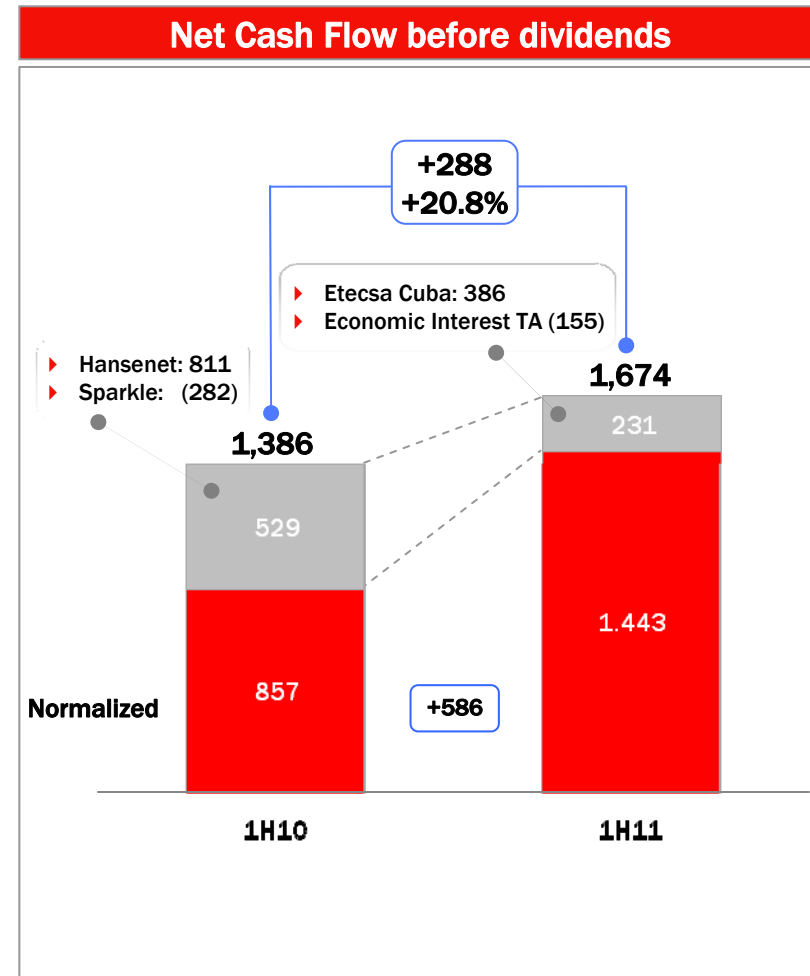
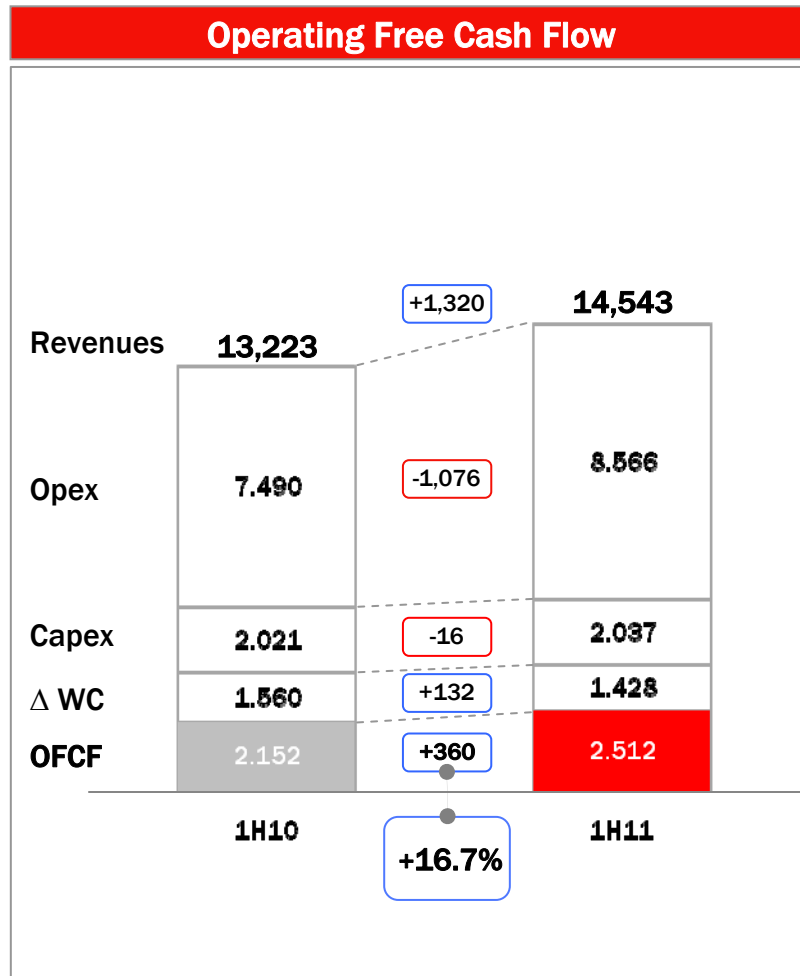
**Goodwill Writedown: 3.2 bln €**

Financial  
Discipline

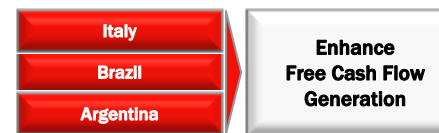
**NFP Adj.: 31.1 bln € (-2.5 bln € vs 1H10, -0.35 bln € vs FY10 post 1.3 bln € 2011 Dividend Payment)**

# Strong Free Cash Flow Generation

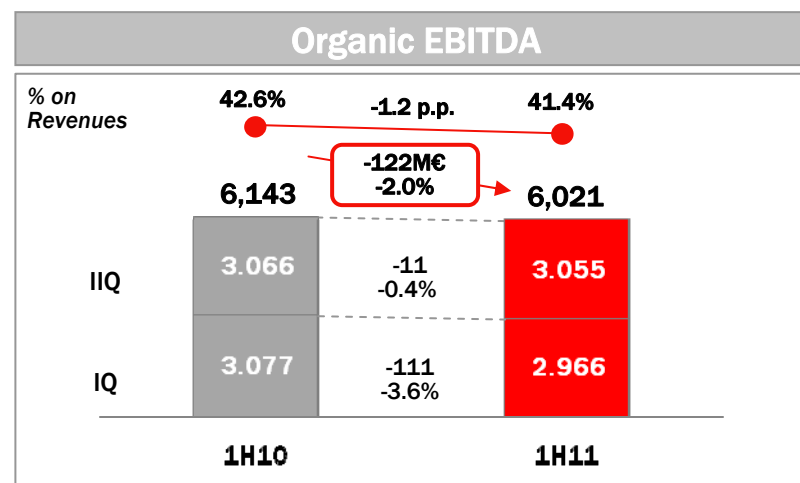
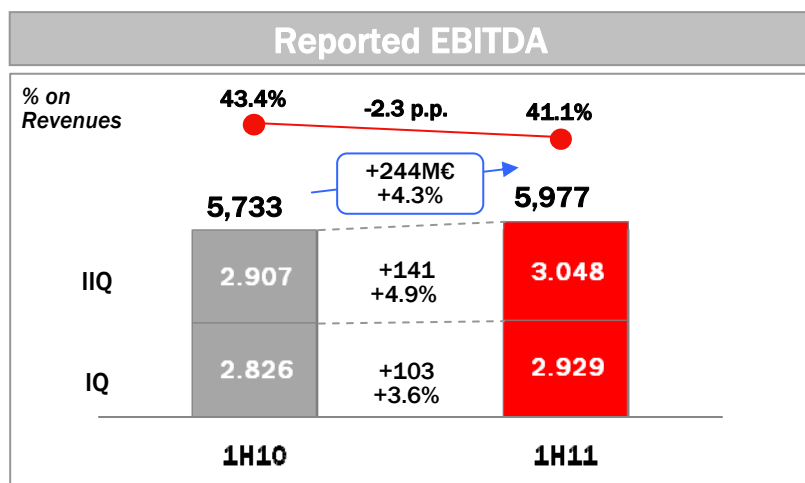
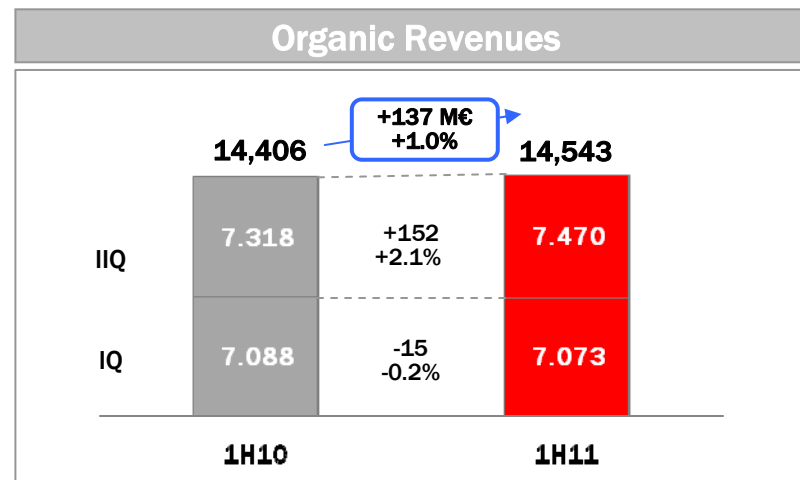
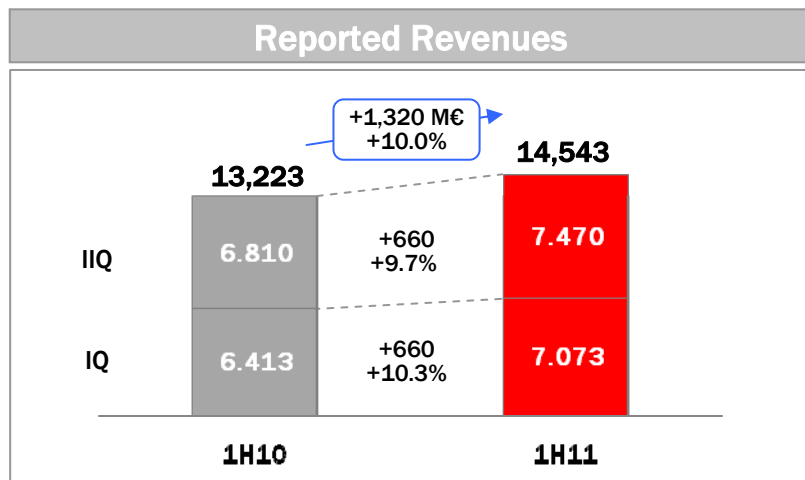
Euro mln, Reported Data



# TI Group: Revenues & Ebitda



Euro mln, %



# TI Group - Main Results by Core Markets

Euro mln, Organic Data

	TI Group	Domestic	Brazil	Argentina
	<b>1 Half</b> <b>Δ% yoy</b>	<b>1 Half</b> <b>Δ% yoy</b>	<b>1 Half</b> <b>Δ% yoy</b>	<b>1 Half</b> <b>Δ% yoy</b>
<b>Revenues</b>	<b>14,543</b> 1.0%	<b>9,356</b> -6.7%	<b>3,499</b> 16.8%	<b>1,511</b> 27.8%
<i>Weight on TI Group*</i>		64%	24%	10%
<b>EBITDA</b>	<b>6,021</b> -2.0%	<b>4,591</b> -6.2%	<b>948</b> 10.6%	<b>506</b> 23.9%
<i>Weight on TI Group</i>		76%	16%	8%
<b>EBITDA-CAPEX</b>	<b>3,984</b> 1.5%	<b>3,233</b> -5.1%	<b>504</b> 53.7%	<b>301</b> 29.8%
<i>Weight on TI Group</i>		81%	~13%	~8%

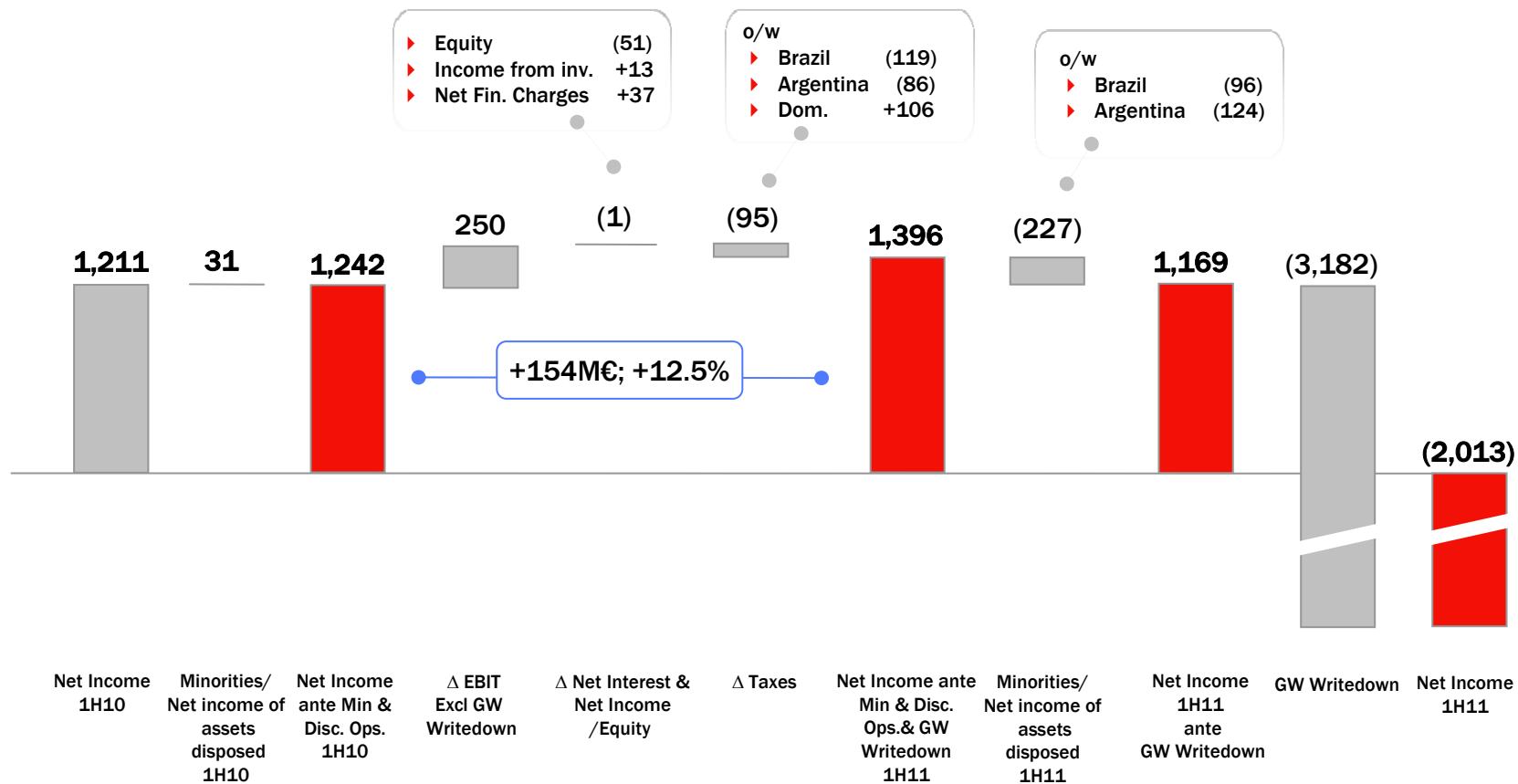
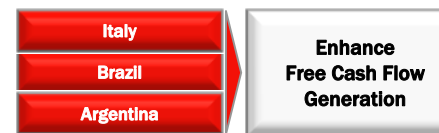
34%

24%

\* Revenues based on net contributions

# Net Income Evolution

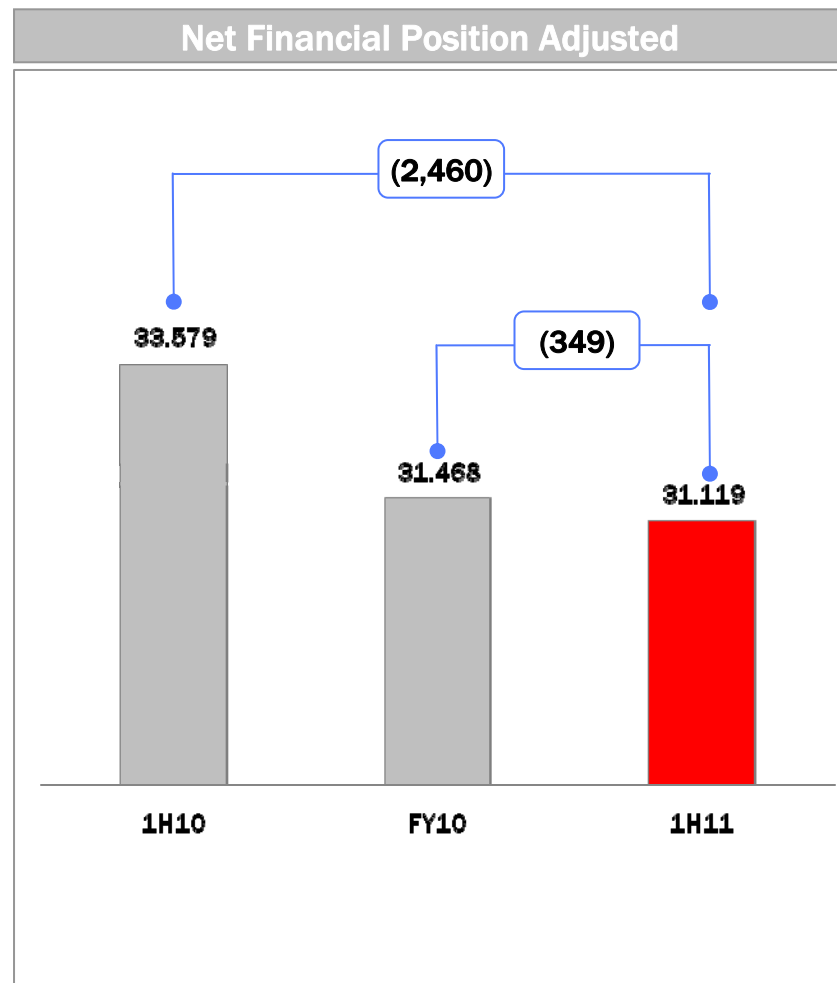
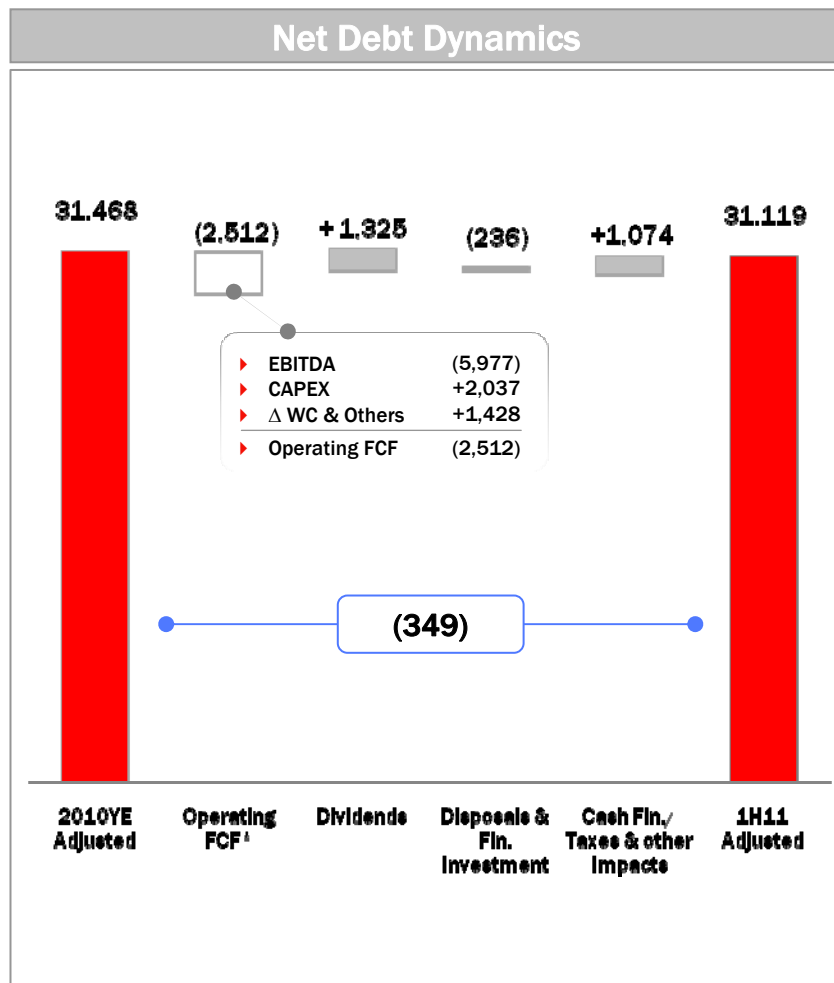
Euro mln, Reported Data





# Net Debt

Euro mln, Reported Data



\* Argentina: (243)

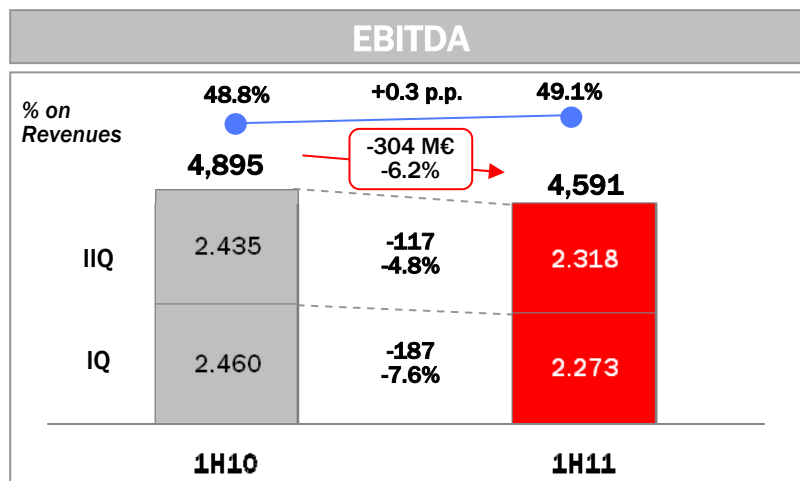
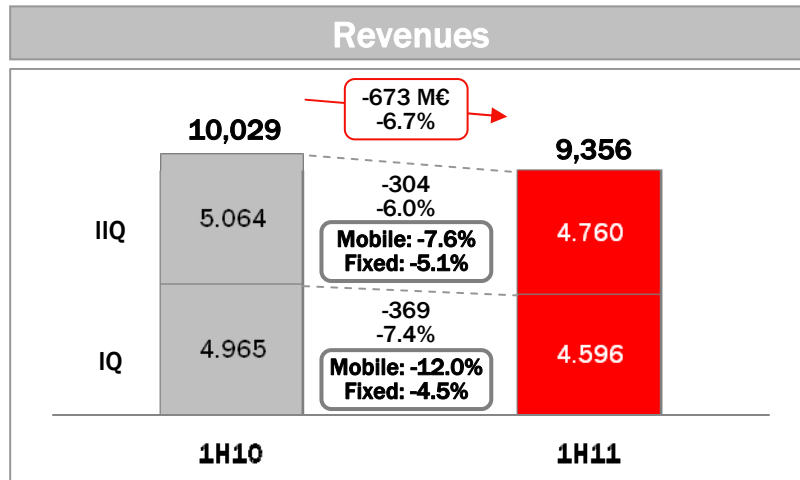
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# Italy: Revenues & Ebitda Trend

Euro mln, Organic Data, %



## Improvement in Core Markets

- ▶ Mobile Top Line improving vs 1Q11
- ▶ Good Ebitda performance with margin improving
- ▶ Symmetry in the win-back procedures from August 7
- ▶ Fixed Line Losses reduced vs 1Q11 and market share defended (~67% 1H11)

## Pursuing Value in BB

- ▶ Leadership on Large Screens confirmed
- ▶ Growing in smartphones market share
- ▶ While overall fixed BB market is showing signs of slowdown, value preservation is key
- ▶ Maintaining safe level of BB customer flat offers

## Developing Innovation

- ▶ Growth on ICT service revenues, with more Business customers signing-up to "Nuvola Italiana"

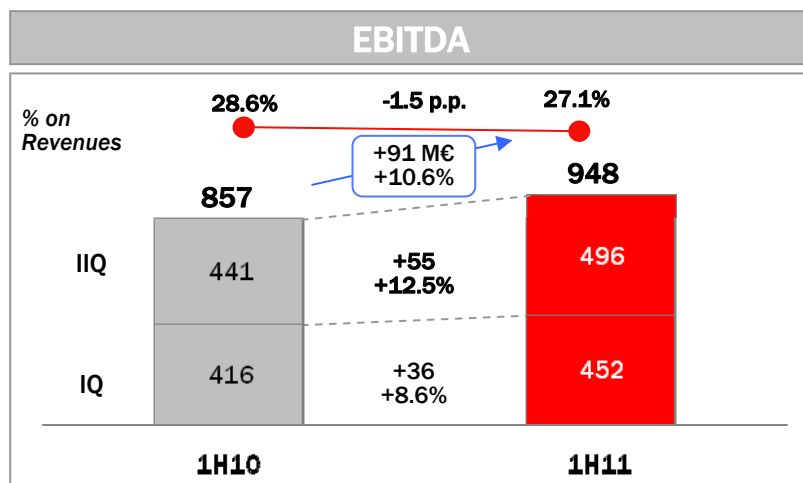
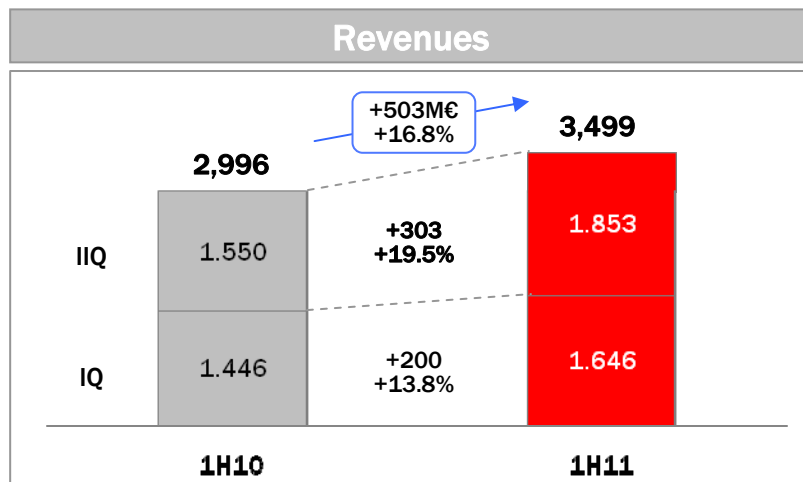
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# Brazil: Revenues & Ebitda Trend



Euro mln, Organic Data, %



## Size

- ▶ TIM Brasil filled the gap vs #2 operator in M/S
- ▶ Active Data Users expansion:
  - ▶ +600k Infinity Web users vs 1Q11
  - ▶ >11 mln Data unique users per month
- ▶ Solid acquisition trend: Gross Adds +45.4% YoY

## Revenue Growth

- ▶ Confirmed Voice outgoing revenues double digit growth (+12.1% YoY)
- ▶ Sound Data Revenues performance (+34.6% YoY) thanks to continued smartphone penetration increase
- ▶ Double digit growth on VAS revenues (+27.1% YoY) reaching 13.8% on total service revenues (+240bps YoY)

## Value Creation

- ▶ Consistent Ebitda performance: +12.5% YoY in Q2 vs +8.6% YoY in Q1
- ▶ Solid Cash Generation

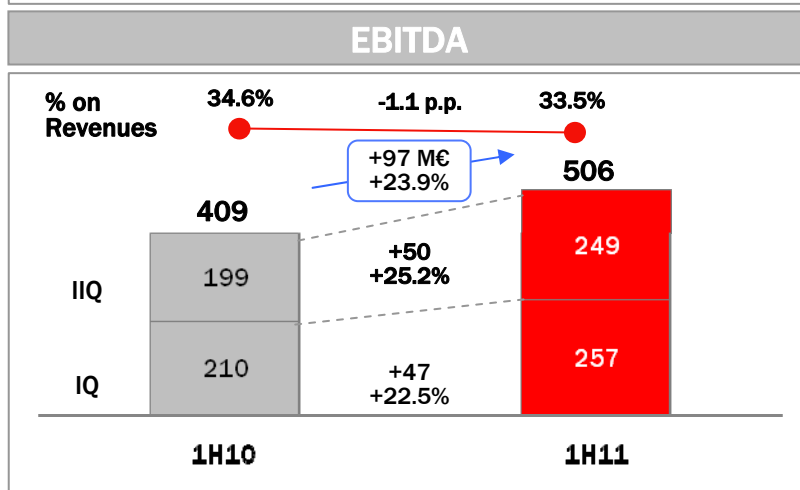
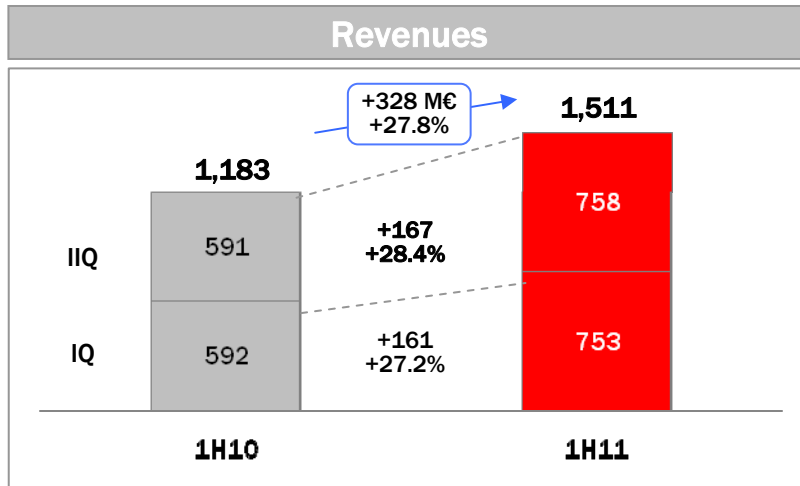
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  - ▶ **Argentina**
- ▶ Appendix



# Argentina: Revenues & Ebitda Trend

Euro mln, Organic Data, %



## Size

- ▶ Fixed Business: solid performance in BB acquisitions (+6% Accesses vs YE10)
- ▶ Strong growth in Mobile Market: @ 17.4 mln clients (+510k vs 1Q11)
- ▶ #2 Mobile Operator in market and revenues share

## Revenue Growth

- ▶ Mobile Personal: strong VAS Revenues growth driven by both SMS & Internet
  - ▶ ARPU Personal +16% 1H11 vs 1H10
  - ▶ VAS & Internet Revenues +60% YoY 1H11 vs 1H10, with 46% of Service Revenues in H1 2011

- ▶ Sound Broadband growth: +13% BB ARPU 1H11 vs 1H10
- ▶ Fixed voice business: increasing average revenues billed per user

## Value Creation

- ▶ Solid EBITDA Growth trend: +22,5% YoY in Q1, +25,2% in Q2
- ▶ Sound Cash Flow generation
  - ▶ Net Cash 892 mln Ars @ June 2011
  - ▶ 915 mln Ars Dividend Payment by TA to its shareholders in April

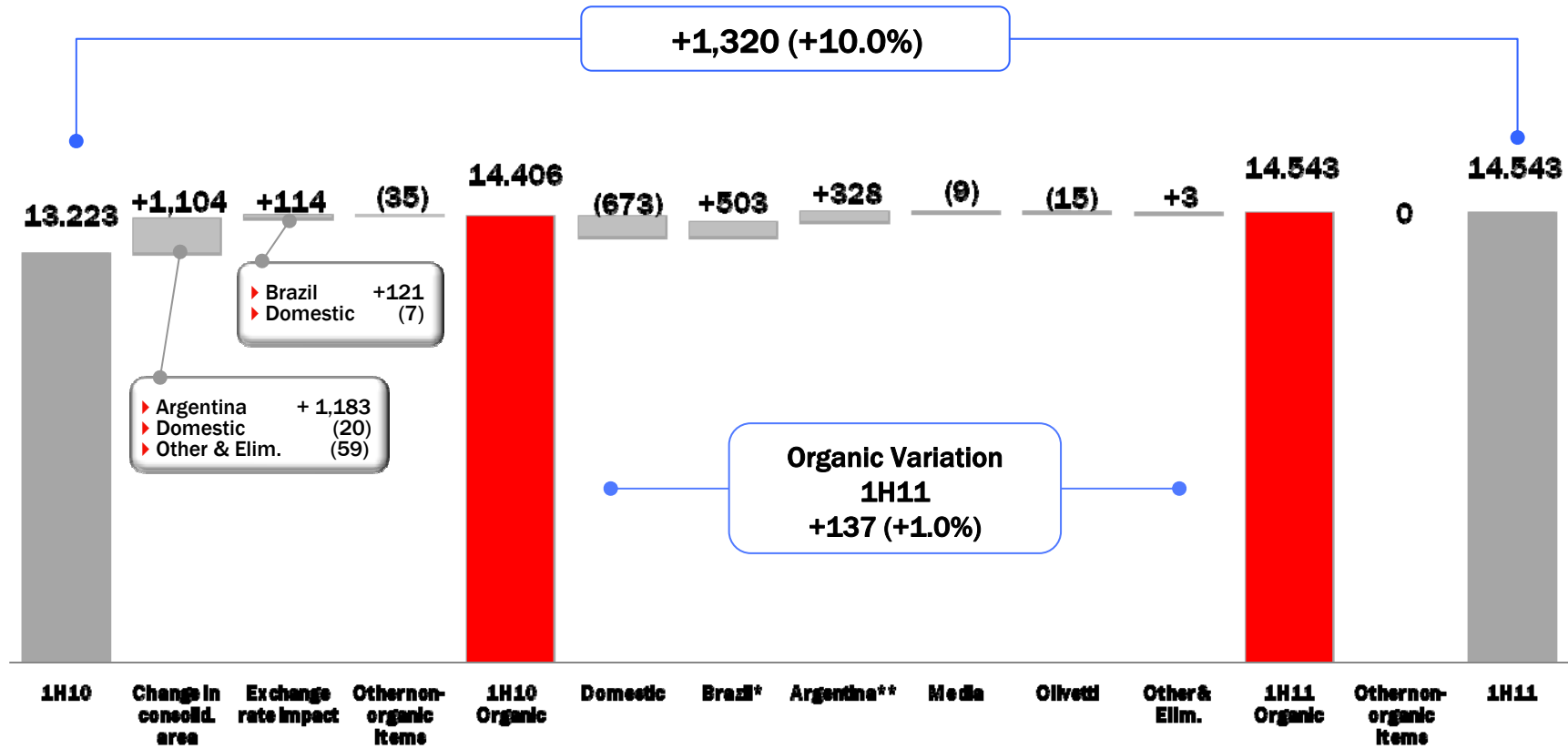
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- ▶ **Appendix**



# TI Group – Revenues Evolution

Euro mln

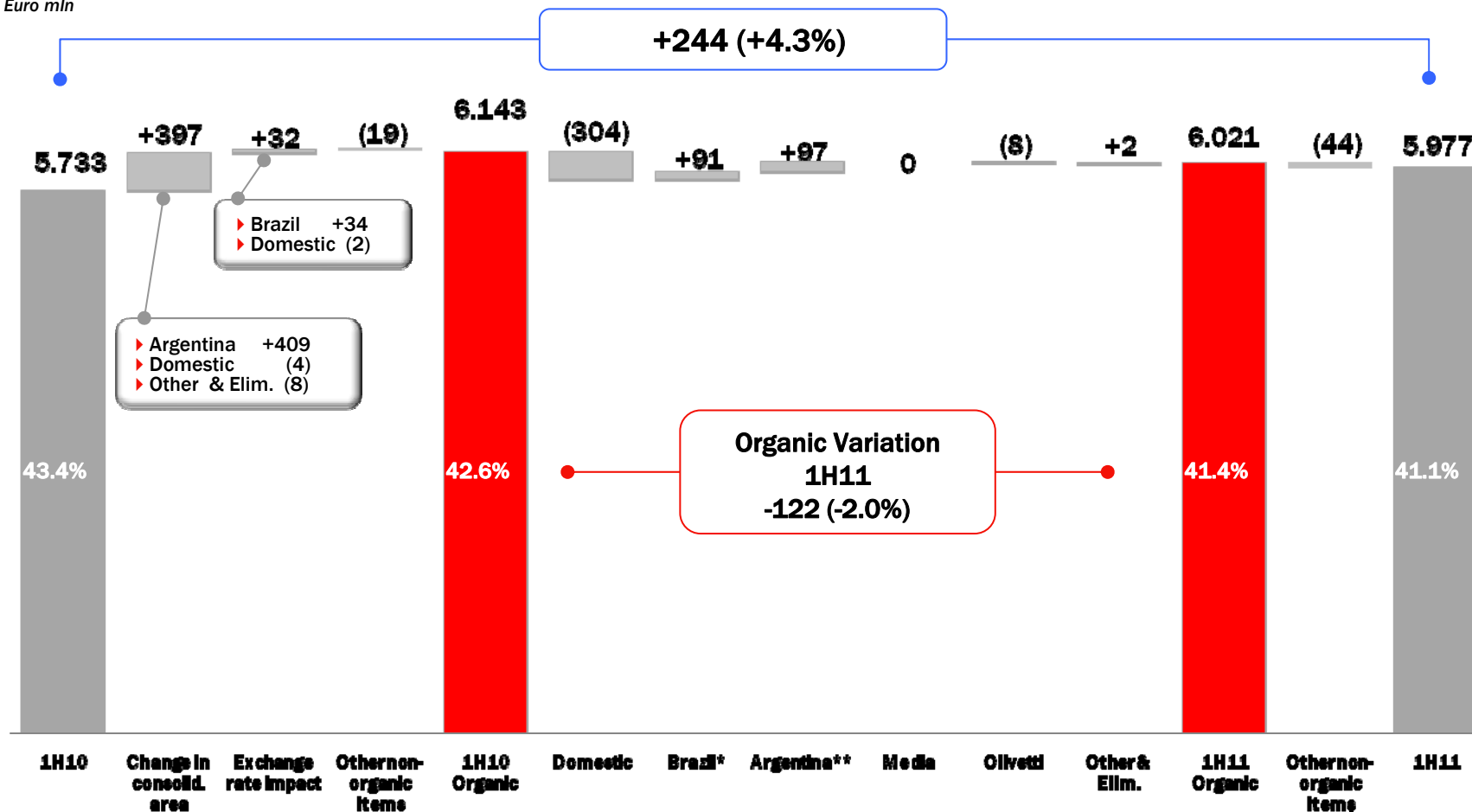


\* Average Exchange rate (Real/Euro): 2.29 in 2011, 2.38 in 2010

\*\* Average Exchange rate (Peso/Euro): 5.68 in 2011, 5.13 in 2010

# TI Group – Ebitda Evolution

Euro mln

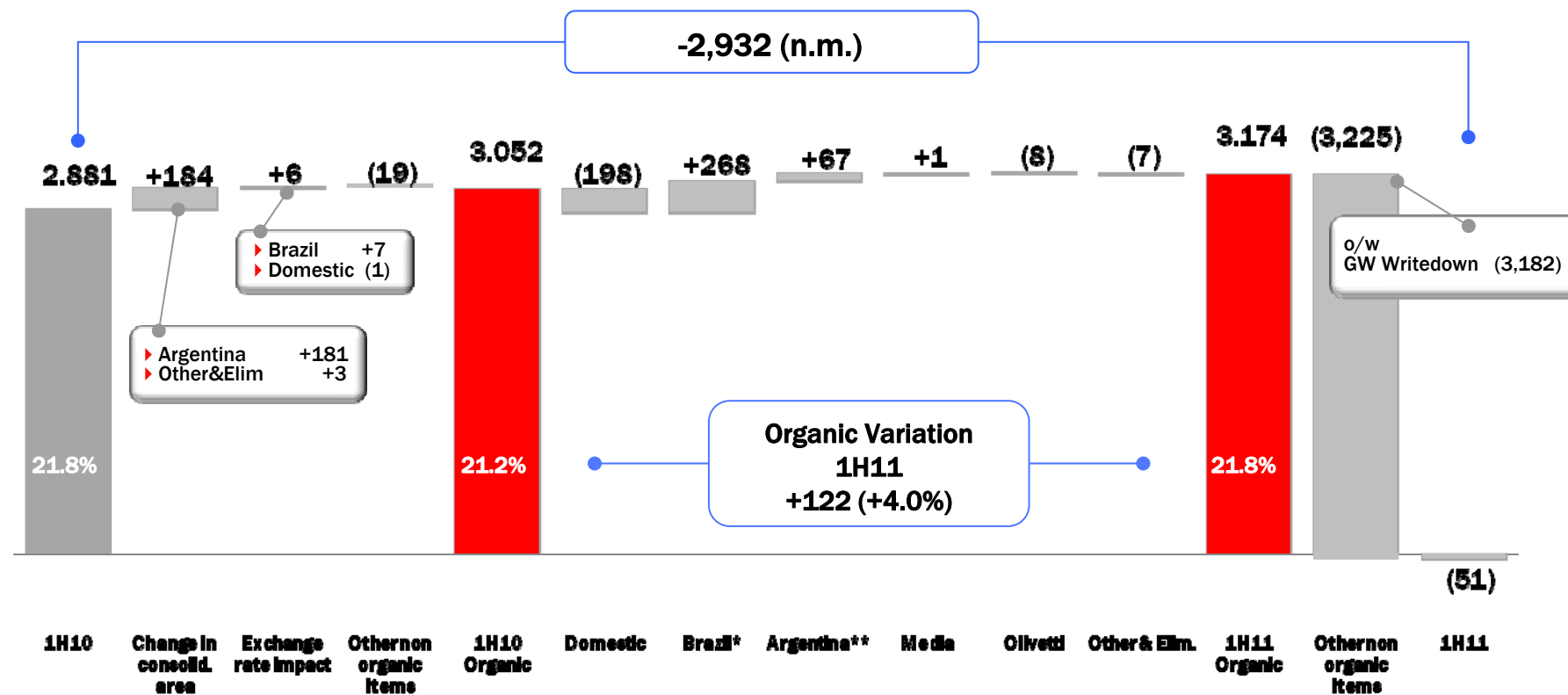


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# TI Group – Ebit Evolution

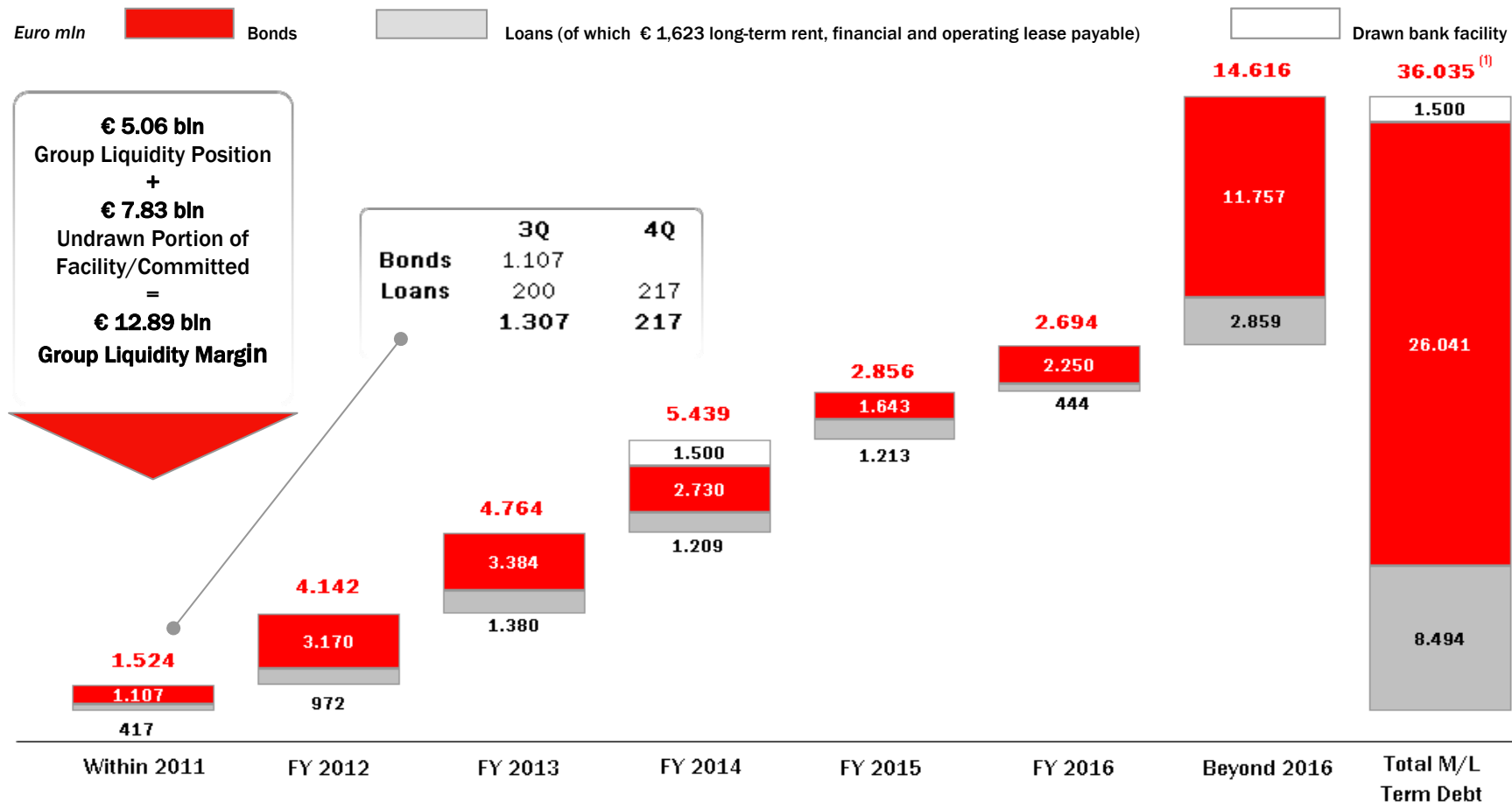
Euro mln



\* Average Exchange rate (Real/Euro): 2.29 in 2011, 2.38 in 2010

\*\* Average Exchange rate (Peso/Euro): 5.68 in 2011, 5.13 in 2010

# Even and Back-Loaded Maturities



(1) € 36.035 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 569 mln) and current liabilities (€ 477 mln), the gross debt figure of € 37.082 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 € 187 mln (face value) of repurchased own bonds (TIF € 1.000 mln 7,25 % Notes due 2012).

# TI Group 1H11 Results - P&L

Euro mln, Reported Data

<i>Euro mln</i>	I Half			
	2011	2010	Δ Abs	Δ %
<b>REVENUES</b>	<b>14,543</b>	<b>13,223</b>	<b>1,320</b>	<b>10.0</b>
Other Operating Income	108	104	4	3.8
<b>TOTAL REVENUES &amp; OTHER INCOME</b>	<b>14,651</b>	<b>13,327</b>	<b>1,324</b>	<b>9.9</b>
Total Purchases of materials and external services	(6,232)	(5,368)	(864)	16.1
Personnel	(1,964)	(1,845)	(119)	6.4
of which payroll	(1,929)	(1,822)	(107)	5.9
Other operating costs	(844)	(570)	(274)	48.1
Capitalized Cost and Others	366	189	177	93.7
<b>EBITDA</b>	<b>5,977</b>	<b>5,733</b>	<b>244</b>	<b>4.3</b>
% on Revenues	41.1%	43.4%		
Depreciation & Amortization	(2,843)	(2,845)	2	(0.1)
Writedowns and revaluations of non current assets	(3,182)	(5)	(3,177)	63,540.0
Gains/losses of non current assets realization	(3)	(2)	(1)	(50.0)
<b>EBIT</b>	<b>(51)</b>	<b>2,881</b>	<b>(2,932)</b>	<b>-</b>
% on Revenues	-0.4%	21.8%		
Income (loss) equity invest. valued equity method	(12)	39	(51)	
Other income ( expenses ) from investments	15	2	13	
Net Financial Income / (Expenses)	(961)	(998)	37	
<b>Income before Taxes &amp; Disc. Ops.</b>	<b>(1,009)</b>	<b>1,924</b>	<b>(2,933)</b>	
% on Revenues	-6.9%	14.6%		
Taxes	(777)	(682)	(95)	
<b>Income before Disc. Ops.</b>	<b>(1,786)</b>	<b>1,242</b>	<b>(3,028)</b>	
Net income (loss) of assets disposed	(11)	(2)	(9)	
<b>Net Income (ante Minorities)</b>	<b>(1,797)</b>	<b>1,240</b>	<b>(3,037)</b>	
% on Revenues	-12.4%	9.4%		
Minorities	(216)	(29)	(187)	
<b>Net Income (post Minorities)</b>	<b>(2,013)</b>	<b>1,211</b>	<b>(3,224)</b>	
% on Revenues	-13.8%	9.2%		

## Main Results by BU – Reported Data

	I Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
<b>REVENUES</b>				
Domestic	4,596	4,974	-378	(7.6)
Wireline Domestic	3,331	3,498	-167	(4.8)
Tim Domestic	1,679	1,907	-228	(12.0)
Brasile	1,646	1,323	323	24.4
Argentina	753	0	753	-
Media	52	57	-5	(8.8)
Olivetti	78	73	5	6.8
Other Activities	1	21	-20	(95.2)
Elim.	-53	-35	-18	(51.4)
<b>TI Group</b>	<b>7,073</b>	<b>6,413</b>	<b>660</b>	<b>10.3</b>

	II Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	4,760	5,117	-357	(7.0)
Wireline Domestic	3,360	3,560	-200	(5.6)
Tim Domestic	1,817	2,001	-184	(9.2)
Brasile	1,853	1,552	301	19.4
Argentina	758	0	758	-
Media	66	70	-4	(5.7)
Olivetti	83	103	-20	(19.4)
Other Activities	0	22	-22	(100.0)
Elim.	-50	-54	4	7.4
<b>TI Group</b>	<b>7,470</b>	<b>6,810</b>	<b>660</b>	<b>9.7</b>

	I Half Reported			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	9,356	10,091	-735	(7.3)
Wireline Domestic	6,691	7,058	-367	(5.2)
Tim Domestic	3,496	3,908	-412	(10.5)
Brasile	3,499	2,875	624	21.7
Argentina	1,511	0	1,511	-
Media	118	127	-9	(7.1)
Olivetti	161	176	-15	(8.5)
Other Activities	1	43	-42	(97.7)
Elim.	-103	-89	-14	(15.7)
<b>TI Group</b>	<b>14,543</b>	<b>13,223</b>	<b>1,320</b>	<b>10.0</b>

	I Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
<b>EBITDA</b>				
Domestic	2,236	2,451	-215	(8.8)
Brasile	452	381	71	18.6
Argentina	257	0	257	-
Media	2	2	0	0.0
Olivetti	-14	-10	-4	(40.0)
Other Activities	-2	-2	0	0.0
Elim.	-2	4	-6	-
<b>TI Group</b>	<b>2,929</b>	<b>2,826</b>	<b>103</b>	<b>3.6</b>
<b>EBITDA MARGIN</b>	<b>41.4%</b>	<b>44.1%-2.7 pp</b>		

	II Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	2,311	2,469	-158	(6.4)
Brasile	496	442	54	12.2
Argentina	249	0	249	-
Media	7	7	0	0.0
Olivetti	-10	-6	-4	(66.7)
Other Activities	-7	-2	-5	(250.0)
Elim.	2	-3	5	-
<b>TI Group</b>	<b>3,048</b>	<b>2,907</b>	<b>141</b>	<b>4.9</b>
<b>EBITDA MARGIN</b>	<b>40.8%</b>	<b>42.7%-1.9 pp</b>		

	I Half Reported			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	4,547	4,920	-373	(7.6)
Wireline Domestic	948	823	125	15.2
Tim Domestic	506	0	506	-
Brasile	9	9	0	0.0
Argentina	-24	-16	-8	(50.0)
Media	-9	-4	-5	(125.0)
Olivetti	0	1	-1	(100.0)
<b>TI Group</b>	<b>5,977</b>	<b>5,733</b>	<b>244</b>	<b>4.3</b>
<b>EBITDA MARGIN</b>	<b>41.1%</b>	<b>43.4%-2.3 pp</b>		

	I Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
<b>EBIT</b>				
Domestic	1,222	1,366	-144	(10.5)
Brasile	184	65	119	183.1
Argentina	125	0	125	-
Media	-13	-13	0	0.0
Olivetti	-15	-11	-4	(36.4)
Other Activities	-2	-8	6	75.0
Elim.	-2	9	-11	-
<b>TI Group</b>	<b>1,499</b>	<b>1,408</b>	<b>91</b>	<b>6.5</b>
<b>EBIT MARGIN</b>	<b>21.2%</b>	<b>22.0%-0.8 pp</b>		

	II Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	-1,908	1,392	-3,300	-
Wireline Domestic	256	100	156	156.0
Tim Domestic	123	0	123	-
Brasile	-7	-8	1	12.5
Argentina	-12	-7	-5	(71.4)
Media	-7	-6	-1	(16.7)
Olivetti	5	2	3	150.0
<b>TI Group</b>	<b>-1,550</b>	<b>1,473</b>	<b>-3,023</b>	<b>-</b>
<b>EBIT MARGIN</b>	<b>-20.7%</b>	<b>21.6%-42.3 pp</b>		

	I Half Reported			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	-686	2,758	-3,444	-
Wireline Domestic	440	165	275	166.7
Tim Domestic	248	0	248	-
Brasile	-20	-21	1	4.8
Argentina	-27	-18	-9	(50.0)
Media	-9	-14	5	35.7
Olivetti	3	11	-8	(72.7)
<b>TI Group</b>	<b>-51</b>	<b>2,881</b>	<b>-2,932</b>	<b>-</b>
<b>EBIT MARGIN</b>	<b>-0.4%</b>	<b>21.8%-22.2 pp</b>		

## Main Results by BU – Organic Data

	I Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
<b>REVENUES</b>				
Domestic	4,596	4,965	-369	(7.4)
Wireline Domestic	3,331	3,489	-158	(4.5)
Tim Domestic	1,679	1,907	-228	(12.0)
Brasile	1,646	1,446	200	13.8
Argentina	753	592	161	27.2
Media	52	57	-5	(8.8)
Olivetti	78	73	5	6.8
Other Activities	1	0	1	-
Elim.	-53	-45	-8	(17.8)
<b>TI Group</b>	<b>7,073</b>	<b>7,088</b>	<b>-15</b>	<b>(0.2)</b>

	II Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	4,760	5,064	-304	(6.0)
Wireline Domestic	3,360	3,542	-182	(5.1)
Tim Domestic	1,817	1,966	-149	(7.6)
Brasile	1,853	1,550	303	19.5
Argentina	758	591	167	28.4
Media	66	70	-4	(5.7)
Olivetti	83	103	-20	(19.4)
Other Activities	0	1	-1	(100.0)
Elim.	-50	-61	11	18.0
<b>TI Group</b>	<b>7,470</b>	<b>7,318</b>	<b>152</b>	<b>2.1</b>

	I Half			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	9,356	10,029	-673	(6.7)
Wireline Domestic	6,691	7,031	-340	(4.8)
Tim Domestic	3,496	3,873	-377	(9.7)
Brasile	3,499	2,996	503	16.8
Argentina	1,511	1,183	328	27.8
Media	118	127	-9	(7.1)
Olivetti	161	176	-15	(8.5)
Other Activities	1	1	0	0.0
Elim.	-103	-106	3	2.8
<b>TI Group</b>	<b>14,543</b>	<b>14,406</b>	<b>137</b>	<b>1.0</b>

	I Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
<b>EBITDA</b>				
Domestic	2,273	2,460	-187	(7.6)
Brasile	452	416	36	8.6
Argentina	257	210	47	22.5
Media	2	2	0	0.0
Olivetti	-14	-10	-4	(40.0)
Other Activities	-2	-5	3	60.0
Elim.	-2	4	-6	-
<b>TI Group</b>	<b>2,966</b>	<b>3,077</b>	<b>-111</b>	<b>(3.6)</b>
<b>EBITDA MARGIN</b>	<b>41.9%</b>	<b>43.4%-1.5 pp</b>		

	II Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	2,318	2,435	-117	(4.8)
Brasile	496	441	55	12.5
Argentina	249	199	50	25.2
Media	7	7	0	0.0
Olivetti	-10	-6	-4	(66.7)
Other Activities	-7	-6	-1	(16.7)
Elim.	2	-4	6	-
<b>TI Group</b>	<b>3,055</b>	<b>3,066</b>	<b>-11</b>	<b>(0.4)</b>
<b>EBITDA MARGIN</b>	<b>40.9%</b>	<b>41.9%-1 pp</b>		

	I Half			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	4,591	4,895	-304	(6.2)
Wireline Domestic	948	857	91	10.6
Tim Domestic	506	409	97	23.9
Brasile	9	9	0	0.0
Argentina	-24	-16	-8	(50.0)
Media	-9	-11	2	18.2
Olivetti	0	0	0	-
<b>TI Group</b>	<b>6,021</b>	<b>6,143</b>	<b>-122</b>	<b>(2.0)</b>
<b>EBITDA MARGIN</b>	<b>41.4%</b>	<b>42.6%-1.2 pp</b>		

	I Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
<b>EBIT</b>				
Domestic	1,259	1,376	-117	(8.5)
Brasile	184	71	113	158.0
Argentina	125	92	33	35.4
Media	-13	-13	0	0.0
Olivetti	-15	-11	-4	(36.4)
Other Activities	-2	-6	4	66.7
Elim.	-2	9	-11	-
<b>TI Group</b>	<b>1,536</b>	<b>1,518</b>	<b>18</b>	<b>1.2</b>
<b>EBIT MARGIN</b>	<b>21.7%</b>	<b>21.4% 0.3 pp</b>		

	II Quarter			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	1,280	1,362	-82	(6.0)
Brasile	256	101	155	155.0
Argentina	123	89	34	39.2
Media	-7	-8	1	12.5
Olivetti	-12	-8	-4	(50.0)
Other Activities	-7	-5	-2	(40.0)
Elim.	5	3	2	66.7
<b>TI Group</b>	<b>1,638</b>	<b>1,534</b>	<b>104</b>	<b>6.8</b>
<b>EBIT MARGIN</b>	<b>21.9%</b>	<b>21.0% 0.9 pp</b>		

	I Half			
	Actual 2011	Actual 2010	Δ Abs	Δ %
Domestic	2,539	2,738	-199	(7.3)
Wireline Domestic	440	172	268	156.2
Tim Domestic	248	181	67	37.3
Brasile	-20	-21	1	4.8
Argentina	-27	-19	-8	(42.1)
Media	-9	-11	2	18.2
Olivetti	3	12	-9	(75.0)
<b>TI Group</b>	<b>3,174</b>	<b>3,052</b>	<b>122</b>	<b>4.0</b>
<b>EBIT MARGIN</b>	<b>21.8%</b>	<b>21.2% 0.6 pp</b>		