

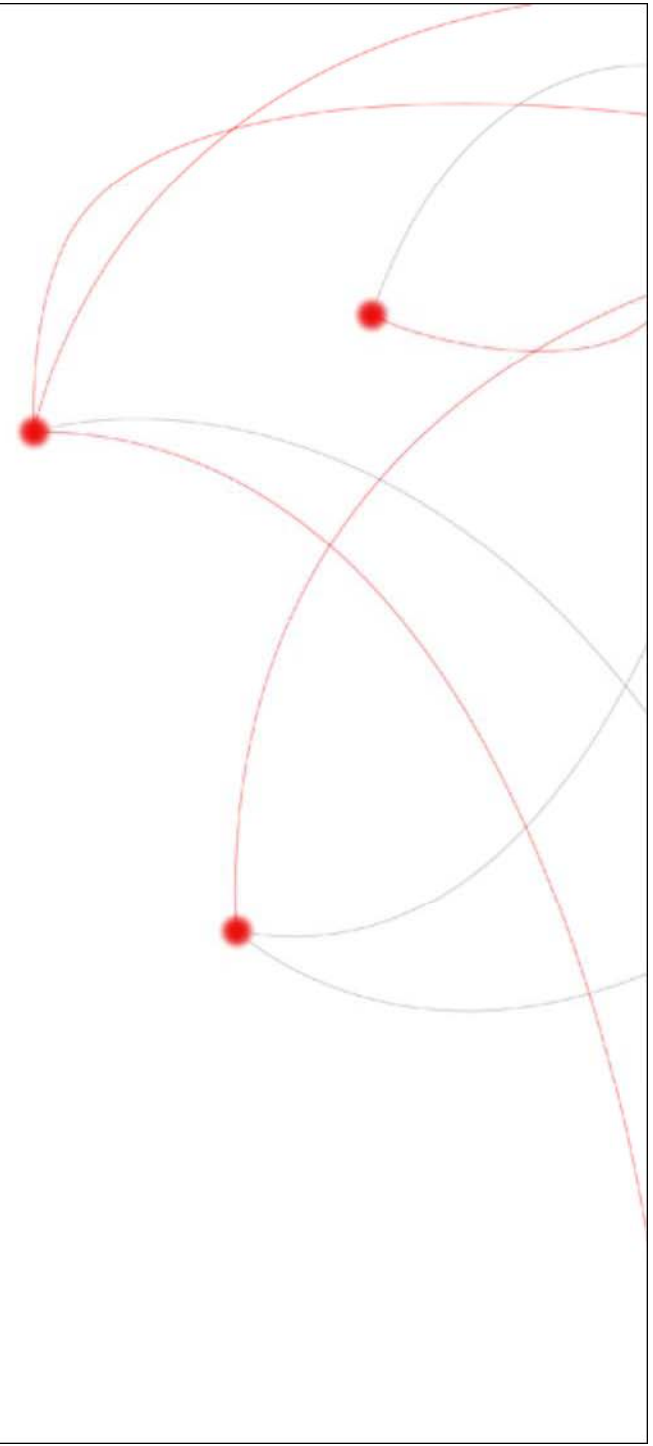
TELECOM ITALIA GROUP

1Q 2011 Results

Milan, May 6th, 2011

Telecom Italia 1Q 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 1Q11 Results**

- ▶ **Telecom Italia Core Markets Results**
 - ▶ Italy
 - ▶ Brazil
 - ▶ Argentina

- ▶ Appendix

TI Group 1Q11 Key Achievements

Focus on
Core
Markets

Operating Free Cash Flow: 1.1 bln € (+322 mln € YoY, +42.7%YoY)

Group Reported Revenues: 7.1 bln € (+10.3% YoY, Org. -0.2% YoY)

**Group Reported Ebitda: 2.9 bln € (+3.6% YoY)
Group Organic Ebitda: 3.0 bln € (-3.6% YoY)**

Group Organic Ebitda Margin: 41.9% (-1.5 p.p. YoY)

**Group Net Income ante Minorities: 648 mln € (+6.9% YoY)
Group Net Income post Minorities: 549 mln € (-8.7% YoY)**

Financial
Discipline

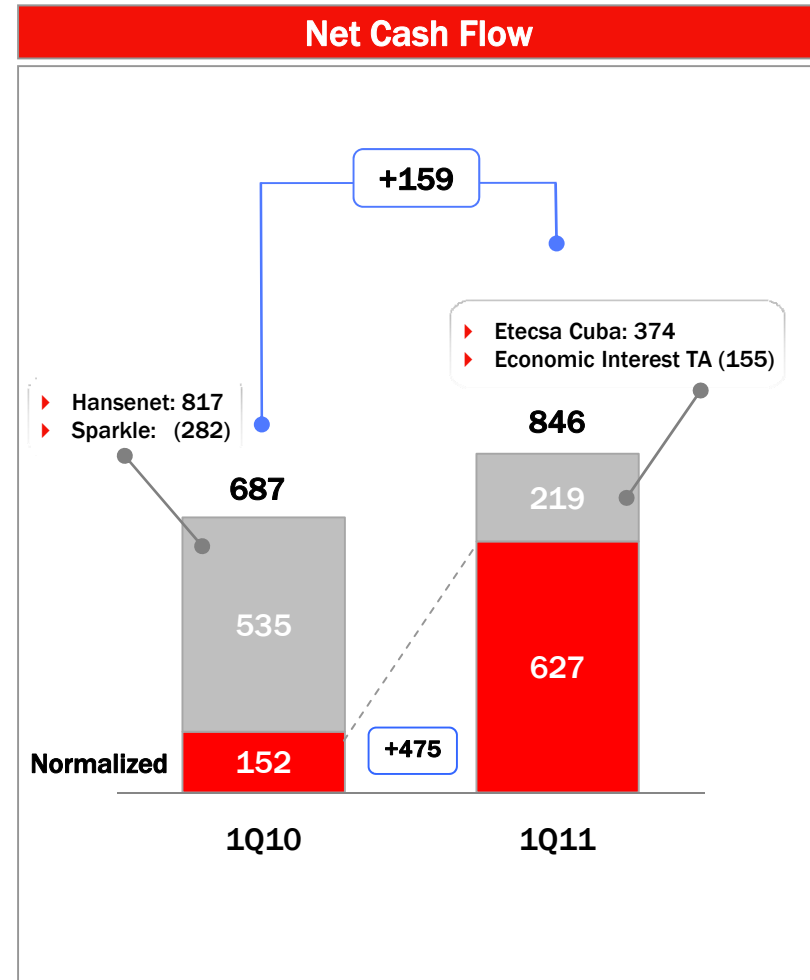
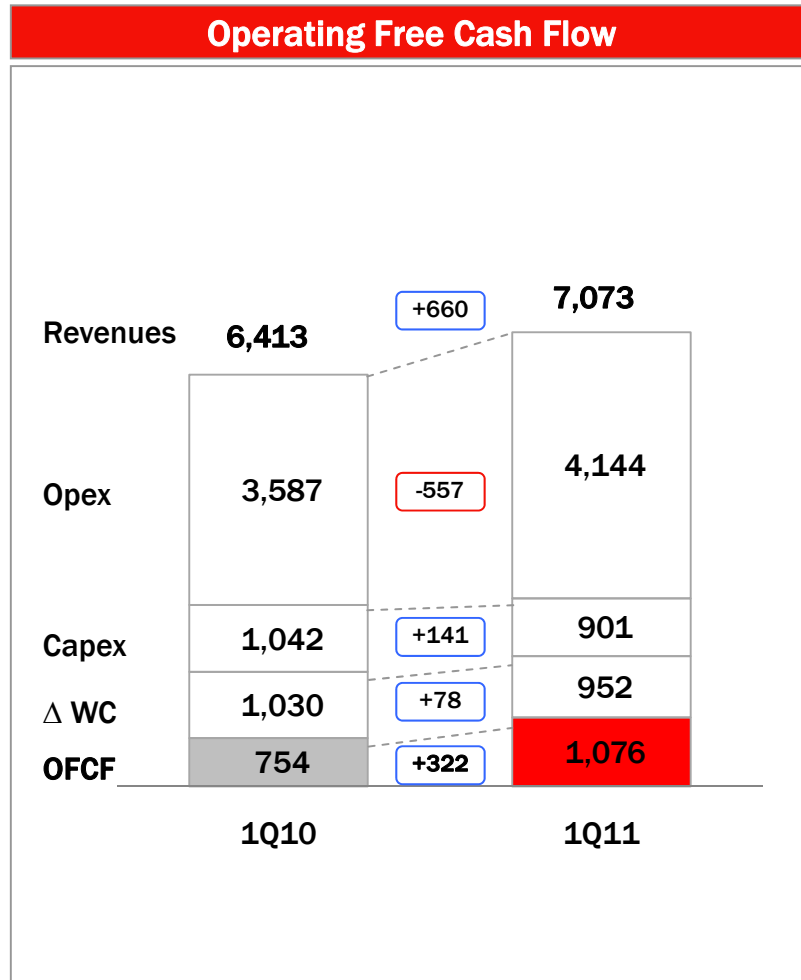
**Disposal Plan Completed
ETECSA Cuba Cash-in: 706 mln US\$ (of which 511 mln US\$ in Q1)**

NFP Adj.: 30.6 bln € (-2.6 bln € vs 1Q10, -846 mln € vs FY10)



Strong Free Cash Flow Generation

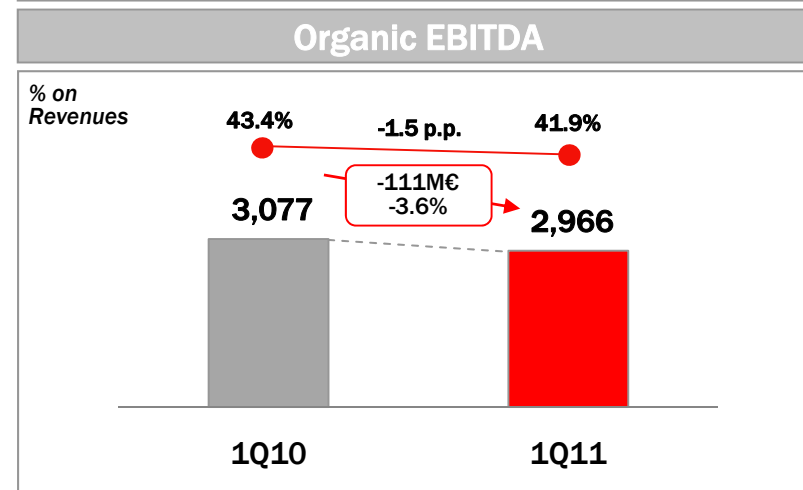
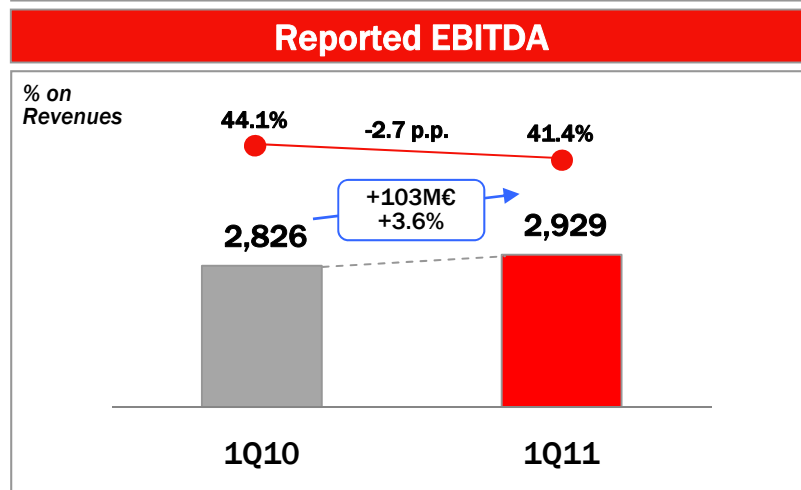
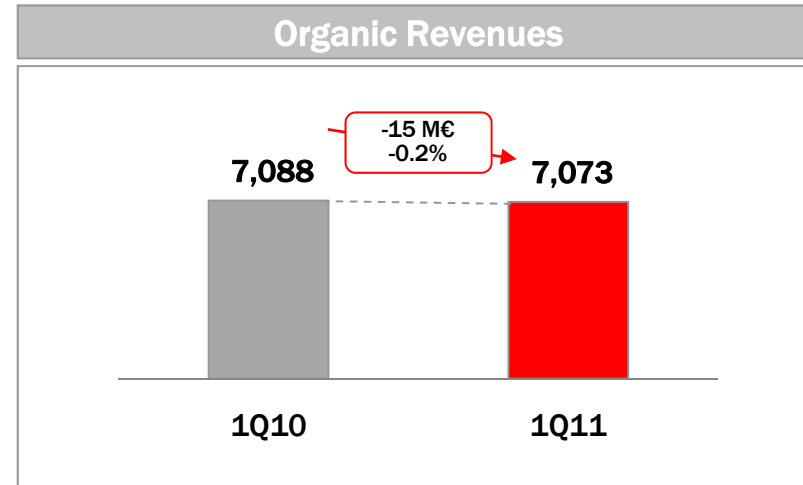
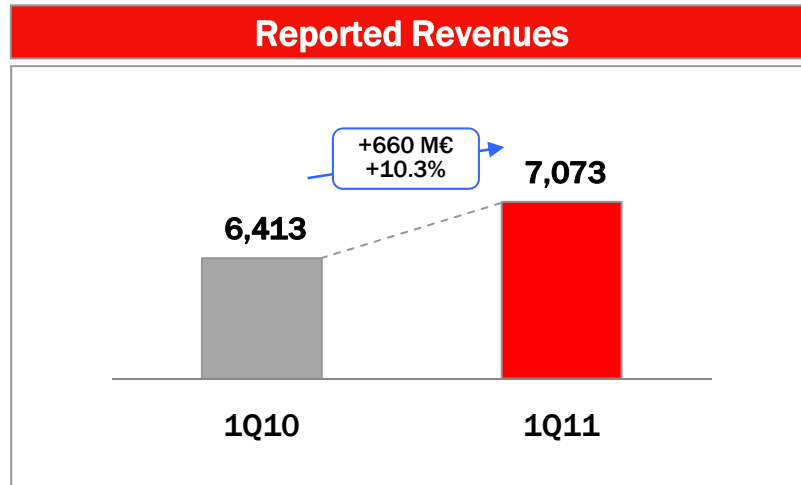
Euro mln, Reported Data





TI Group: Revenues & Ebitda

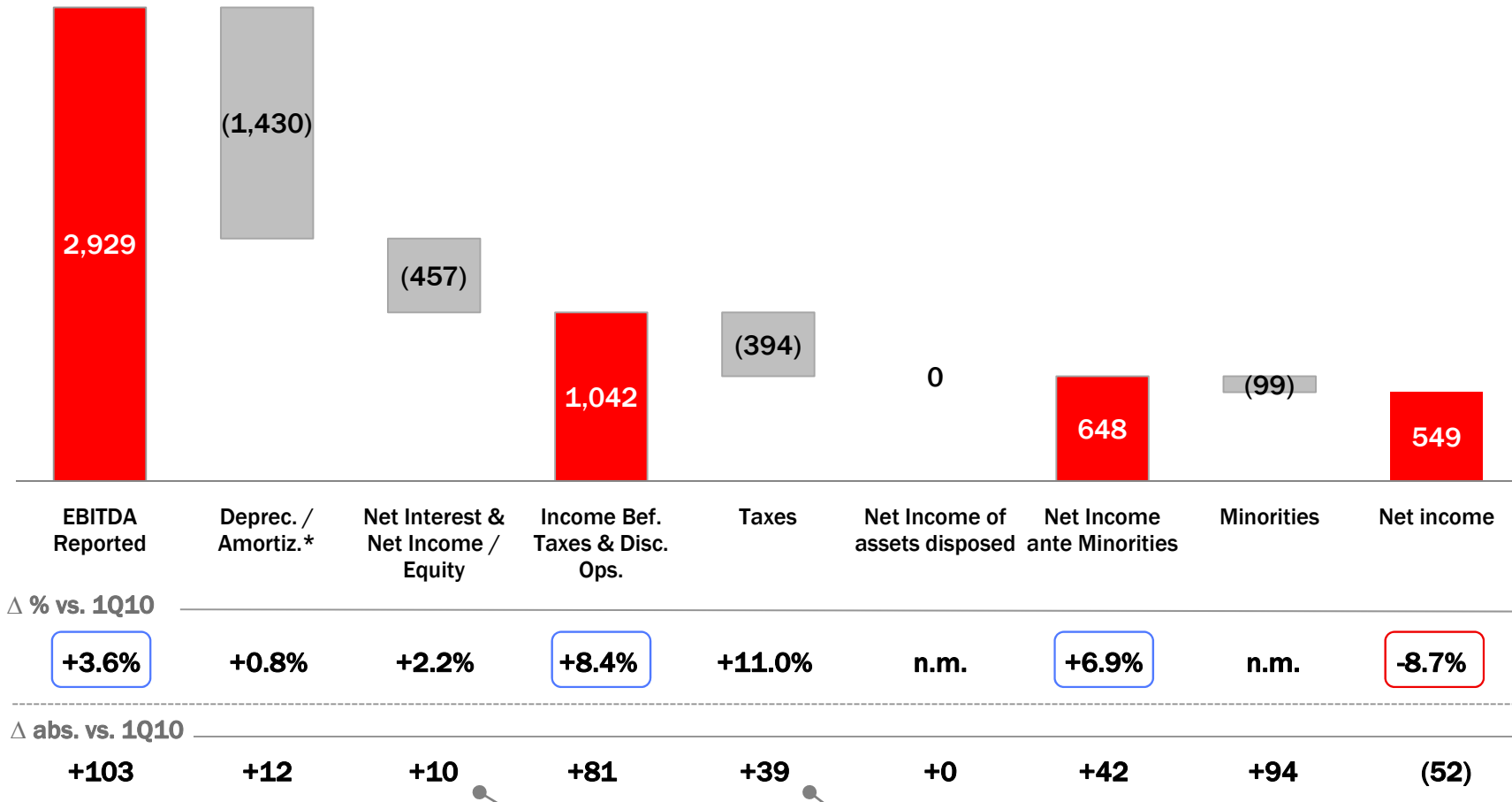
Euro mln, %





Net Income Evolution

Euro mln; reported data



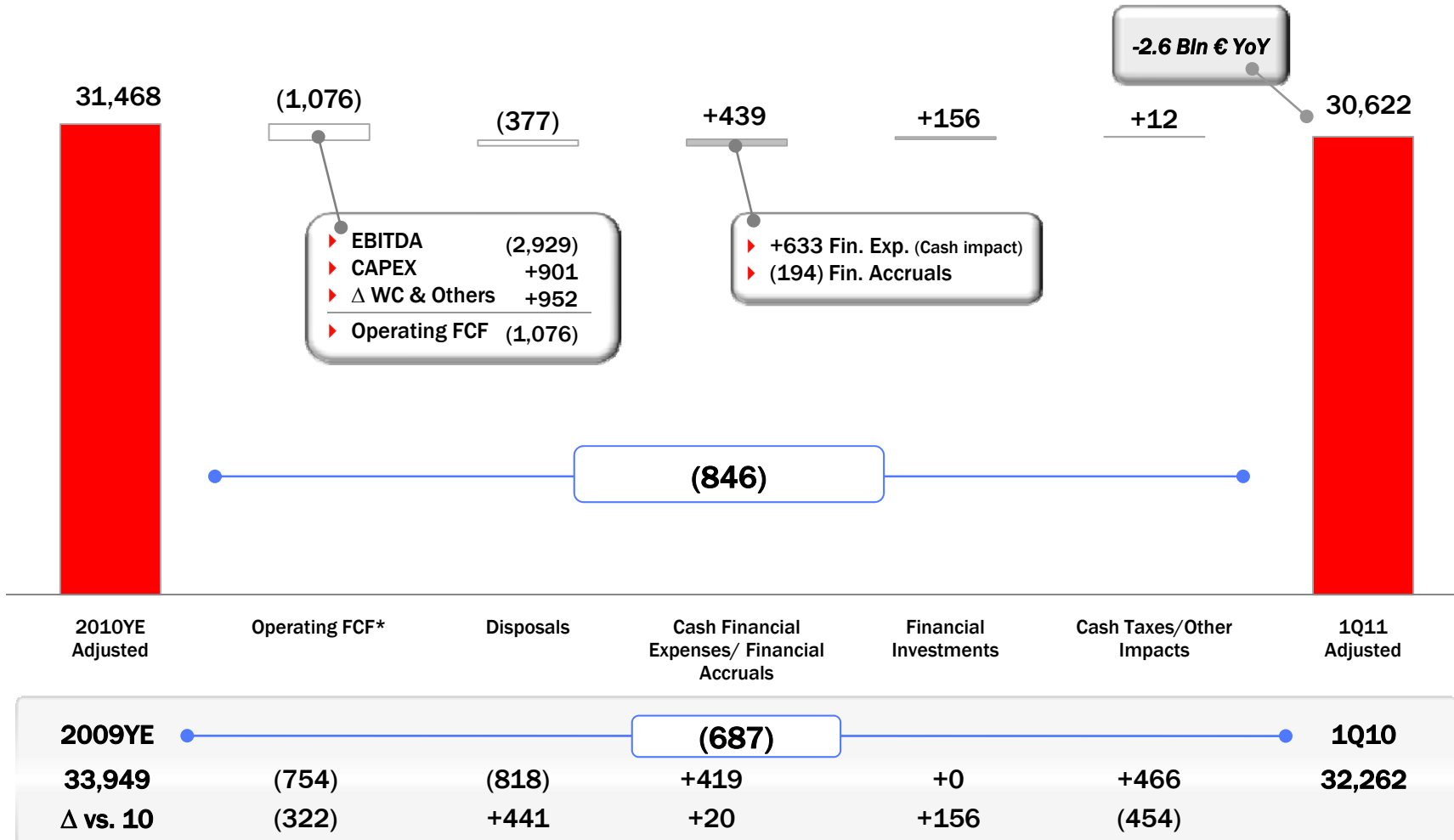
* Including gains/losses of non current assets realization

- ▶ Equity +29
- ▶ Income from inv. (15)
- ▶ Net Fin. Charges (4)
- o/w related to debt (29)

- o/w
- ▶ Brasil +40
- ▶ Argentina +44
- ▶ Dom. (43)

Net Debt Dynamics

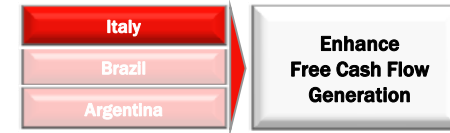
Euro mln, Reported Data



* Argentina: (87)

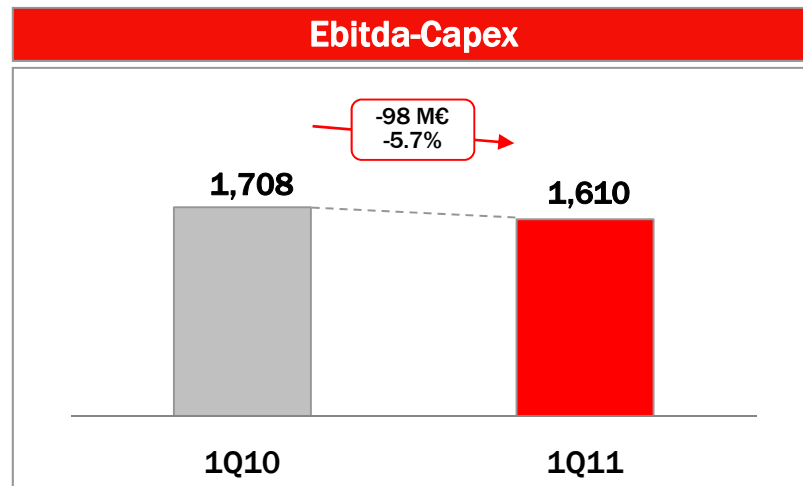
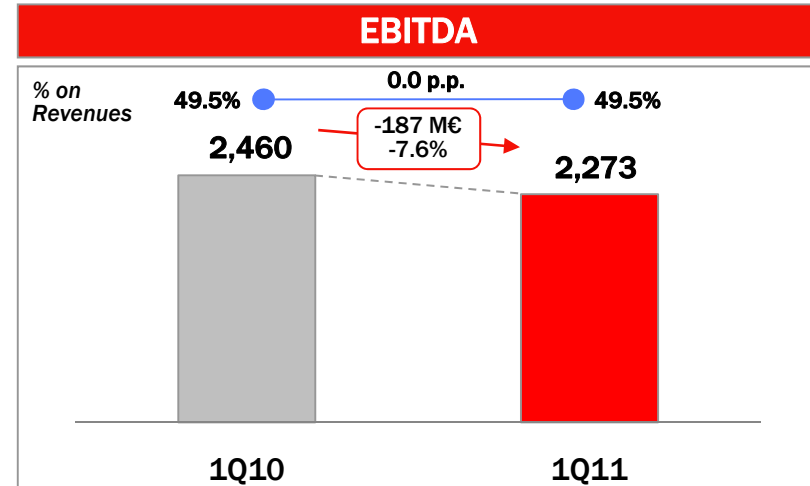
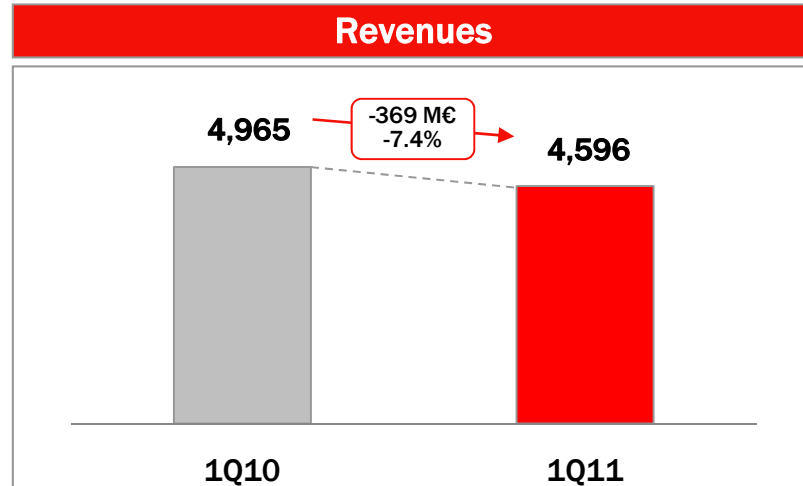
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- ▶ **Telecom Italia Core Markets Results**
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Italy: Revenues & Ebitda Trend

Euro mln, Organic data, %



- ### Highlights
- ▶ Sluggish domestic demand curbing economic recovery and impacting corporations & SMEs
 - ▶ Top & Business segments in the mobile affected by difficult YoY comparison
 - ▶ Selective approach to Int'l Wholesale Contracts with low marginality
 - ▶ Continuous effort on Cash Cost reduction

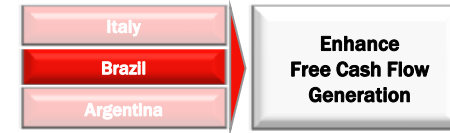


Italy: Protecting the Value of our Customers

Drivers	Highlights	
<div style="border: 1px solid gray; padding: 10px; background-color: #f5f5f5;"> <h3>Defend Traditional Services</h3> </div>	<ul style="list-style-type: none"> ▶ Fixed retail monthly fee increase from July ▶ Line Losses reduced vs 4Q10 despite competitors aggressiveness and OLO's win-back cap ▶ Mobile Calling CB rebound confirmed ▶ Double digit decrease in Mobile Churn Rate (-13.9% YoY) 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Fixed</p> <p>4Q10 1Q11</p> </div> <div style="text-align: center;"> <p>Mobile</p> <p>1Q10 1Q11</p> </div> </div>
<div style="border: 1px solid gray; padding: 10px; background-color: #f5f5f5;"> <h3>Strengthen BB Experience</h3> </div>	<ul style="list-style-type: none"> ▶ Lever on QoS to sustain price premium and fight back the OLO's aggressiveness ▶ Broadband ARPU broadly stable QoQ ▶ Leadership on Large Screen confirmed 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Fixed BB Access</p> <p>1Q10 1Q11</p> </div> <div style="text-align: center;"> <p>Mobile Large Screen Users</p> <p>1Q10 1Q11</p> </div> </div>
<div style="border: 1px solid gray; padding: 10px; background-color: #f5f5f5;"> <h3>Develop Innovative Services</h3> </div>	<ul style="list-style-type: none"> ▶ Regained leadership on PA winning all new Consip Contracts (Fixed & Mobile) ▶ Increasing ICT contracts value boosted by Cloud Computing 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>ICT Revenues</p> <p>1Q10 1Q11</p> </div> <div style="text-align: center;"> <p>Top ICT Portfolio Value</p> <p>1Q10 1Q11</p> </div> </div>

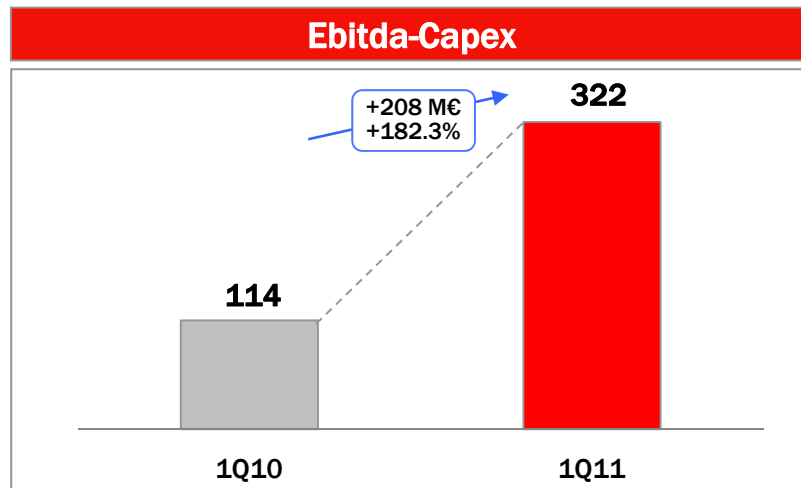
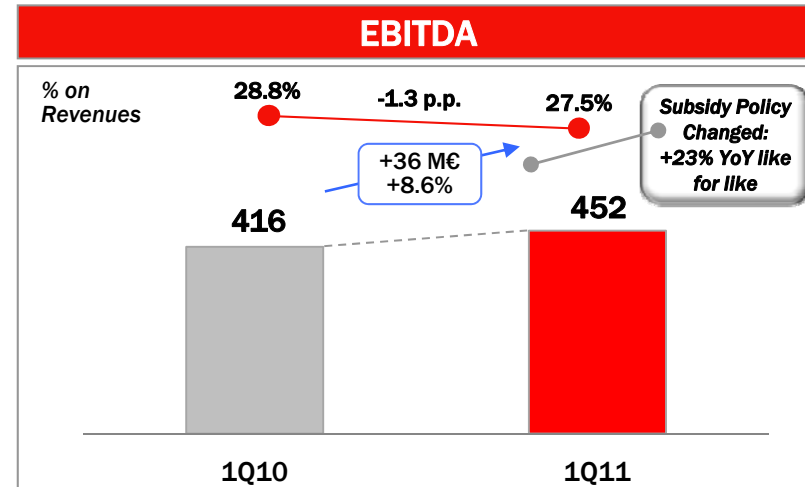
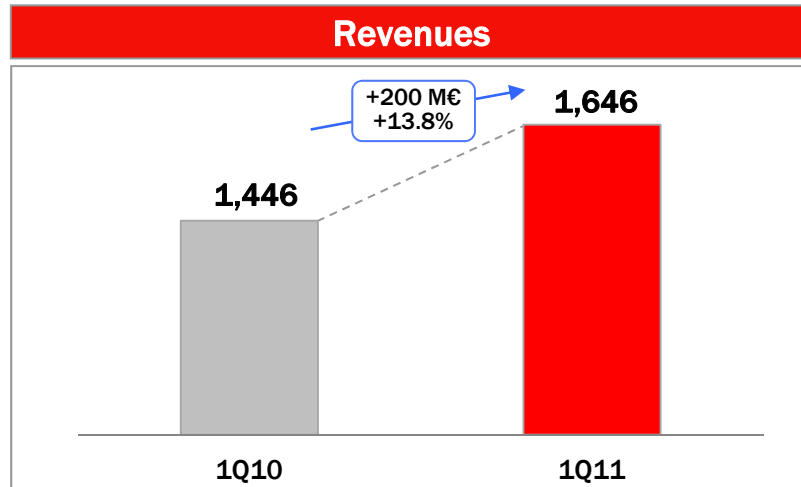
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Brazil: Revenues & Ebitda Trend

Euro mln, Organic data, %



Highlights

- ▶ Brazil confirmed as a booming economy with a solid monetary and fiscal regime
- ▶ F-M substitution strategy success confirmed
- ▶ Voice and data revenues growing double digit
- ▶ Good balance between growth and profitability



Brazil: Accelerating Growth

Drivers	Highlights																					
Size	<ul style="list-style-type: none"> TIM Brasil confirmed as the best performer for CB growth (+24.7% YoY vs market +17.5% YoY) Strong increase in data users @ ~ 600 k lines (+35.5% YoY) Sound reduction in Consumer Voice Churn Rate: - 1.2pp YoY @1.7% in 1Q11 	<div style="background-color: #d3d3d3; text-align: center; padding: 5px;">Increase Size</div> <p><i>Mln users, %</i></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td></td> <td>42.4</td> <td>+25%</td> <td>52.8</td> </tr> <tr> <td>Total</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Post-Paid</td> <td>6.6</td> <td>+17%</td> <td>7.7</td> </tr> <tr> <td>Pre-Paid</td> <td>35.8</td> <td>+26%</td> <td>45.1</td> </tr> <tr> <td></td> <td>1Q10</td> <td></td> <td>1Q11</td> </tr> </table>		42.4	+25%	52.8	Total				Post-Paid	6.6	+17%	7.7	Pre-Paid	35.8	+26%	45.1		1Q10		1Q11
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Pre-Paid	35.8	+26%	45.1																			
	1Q10		1Q11																			
Revenues Growth	<ul style="list-style-type: none"> Voice outgoing revenues confirming double digit growth (+13.4% YoY) Data Revenues reaching 14% of service revenues leveraging on the success of <i>Infinity Web</i> Smartphones reaching 40% of total handsets sales (16% in 1Q10) 	<div style="background-color: #d3d3d3; text-align: center; padding: 5px;">Revenues Growth: the Key Driver</div> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th colspan="2">Usage</th> <th>Data Revenues</th> </tr> <tr> <th colspan="2"><i>Min/month</i></th> <th><i>% YoY</i></th> </tr> </thead> <tbody> <tr> <td>OUT</td> <td>100 → 126 (+26%)</td> <td>+28%</td> </tr> <tr> <td>IN</td> <td>-22%</td> <td></td> </tr> <tr> <td></td> <td>1Q10</td> <td>1Q11</td> </tr> </tbody> </table>	Usage		Data Revenues	<i>Min/month</i>		<i>% YoY</i>	OUT	100 → 126 (+26%)	+28%	IN	-22%			1Q10	1Q11					
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Enhance Value Creation	<ul style="list-style-type: none"> Consolidation of the «No Subsidy» Model Improve Cash Generation Strong Net Income growth 	<div style="background-color: #d3d3d3; text-align: center; padding: 5px;">Ebitda-Capex Evolution</div> <p><i>Euro mln, Organic data</i></p> <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Ebitda</td> <td>416</td> <td>452</td> </tr> <tr> <td>Capex</td> <td>302</td> <td>130</td> </tr> <tr> <td></td> <td>1Q10</td> <td>1Q11</td> </tr> </table>	Ebitda	416	452	Capex	302	130		1Q10	1Q11											
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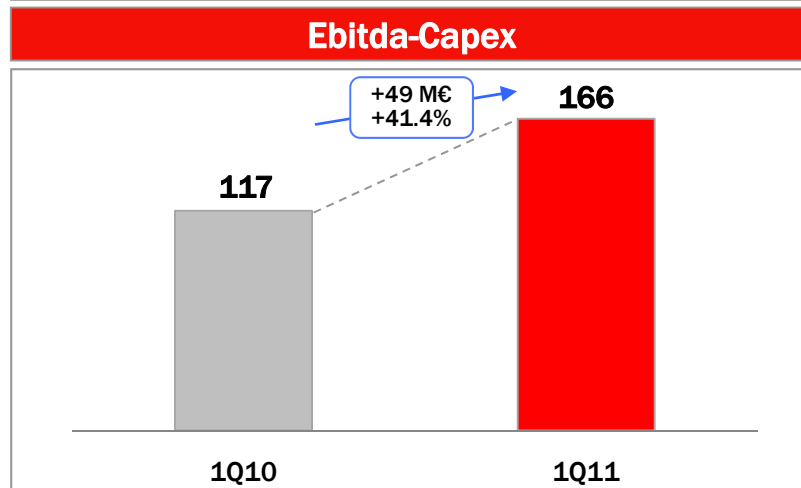
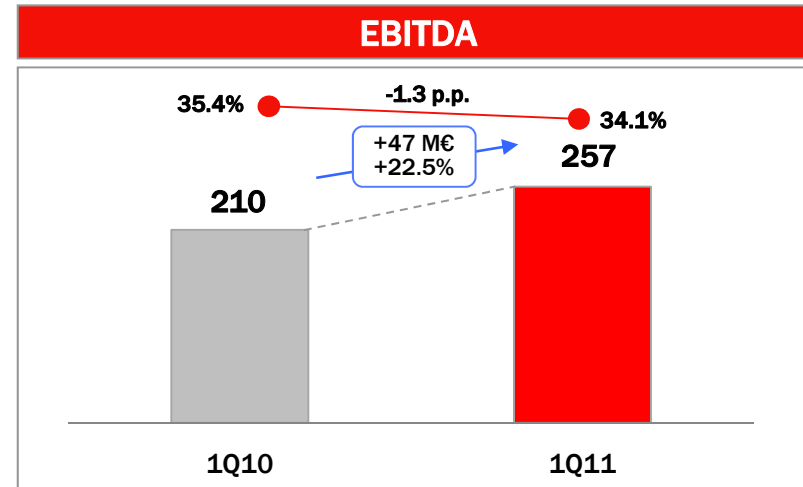
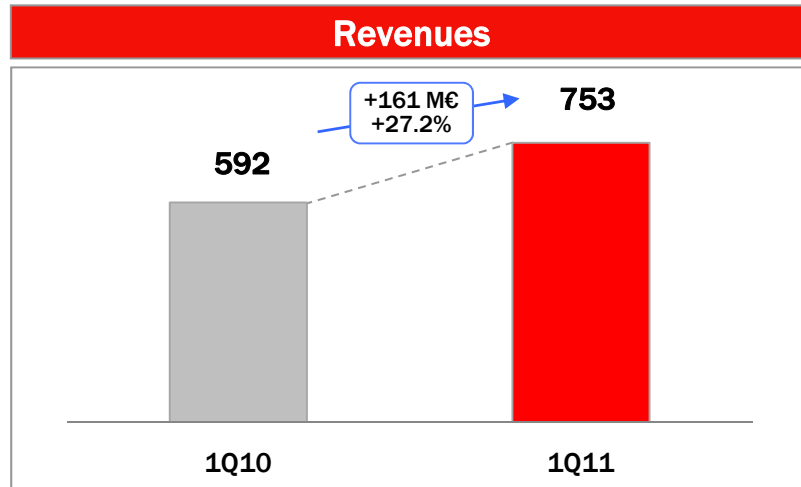
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Argentina: Revenues & Ebitda Trend

Euro mln, Organic data, %



- ### Highlights
- ▶ Argentine economy continued its growing trend with an expansion in consumer and industrial consumption
 - ▶ Solid Ebitda performance despite strong support to top line growth
 - ▶ Mobile Service Revenues boosting top line performance
 - ▶ Strong FCF Generation



Argentina: Consolidating a Healthy Growth

Drivers	Highlights																													
Size	<ul style="list-style-type: none"> ▶ Fixed Business: Improving performance in BB acquisitions ▶ Sustained churn reduction (@ 1.2% vs 1.8% 1Q10) in fixed BB ▶ Strengthening Mobile position with 3G clients more than doubled 	<h3 style="text-align: center;">Increase Customer Base</h3> <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2">Fixed BB</th> <th colspan="2">Mobile*</th> </tr> <tr> <th colspan="2">Mln lines</th> <th colspan="2">Mln lines</th> </tr> </thead> <tbody> <tr> <td>1Q10</td> <td>1.2</td> <td>1Q10</td> <td>14.9</td> </tr> <tr> <td>1Q11</td> <td>1.4 (+14%)</td> <td>1Q11</td> <td>16.9 (+13%)</td> </tr> </tbody> </table>	Fixed BB		Mobile*		Mln lines		Mln lines		1Q10	1.2	1Q10	14.9	1Q11	1.4 (+14%)	1Q11	16.9 (+13%)												
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Mln lines		Mln lines																												
1Q10	1.2	1Q10	14.9																											
1Q11	1.4 (+14%)	1Q11	16.9 (+13%)																											
Revenues Growth	<ul style="list-style-type: none"> ▶ #2 mobile operator in Argentina ▶ Sound increase in Mobile ARPU (+16% YoY) ▶ Weight of VAS as % of Service Revenues @ 45% (+11 p.p. YoY) 	<h3 style="text-align: center;">BB ARPU and Mobile Service Revenues*</h3> <table border="1" style="width: 100%;"> <thead> <tr> <th colspan="2">BB ARPU</th> <th colspan="2">Mobile Service Revenues*</th> </tr> <tr> <th colspan="2">ARS/month</th> <th colspan="2">ARS Mln</th> </tr> </thead> <tbody> <tr> <td>1Q10</td> <td>73</td> <td>1Q10</td> <td>1,888</td> </tr> <tr> <td>1Q11</td> <td>81 (+10%)</td> <td>1Q11</td> <td>2,453</td> </tr> <tr> <td></td> <td></td> <td>1Q10</td> <td>1,252 (+8.1%)</td> </tr> <tr> <td></td> <td></td> <td>1Q11</td> <td>1,099 (+72.8%)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>636 (+29.9%)</td> </tr> </tbody> </table> <p style="text-align: center;">■ Voice ■ VAS</p>	BB ARPU		Mobile Service Revenues*		ARS/month		ARS Mln		1Q10	73	1Q10	1,888	1Q11	81 (+10%)	1Q11	2,453			1Q10	1,252 (+8.1%)			1Q11	1,099 (+72.8%)				636 (+29.9%)
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Enhance Value Creation	<ul style="list-style-type: none"> ▶ Accelerating Smartphone penetration with narrowed SAC costs ▶ Selective CAPEX approach ▶ Sound cash position increase 	<h3 style="text-align: center;">Ebitda-Capex Evolution</h3> <p style="text-align: center;"><i>Euro mln, Organic data</i></p> <table border="1" style="width: 100%;"> <thead> <tr> <th></th> <th>1Q10</th> <th>1Q11</th> </tr> </thead> <tbody> <tr> <td>Ebitda</td> <td>210</td> <td>257</td> </tr> <tr> <td>Capex</td> <td>93</td> <td>91</td> </tr> </tbody> </table>		1Q10	1Q11	Ebitda	210	257	Capex	93	91																			
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*Argentine Operations only

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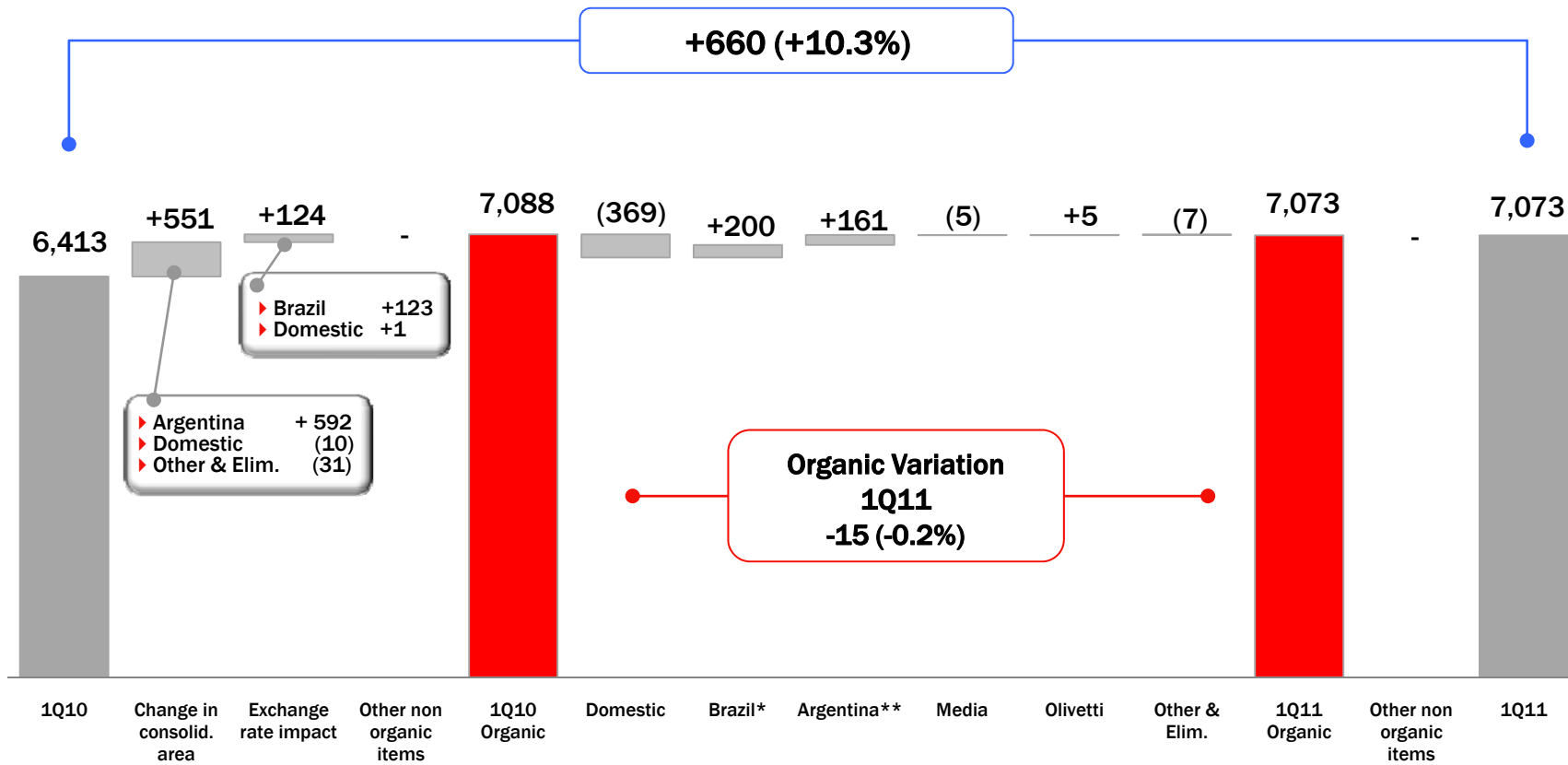
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TI Group – Revenues Evolution

Euro mln

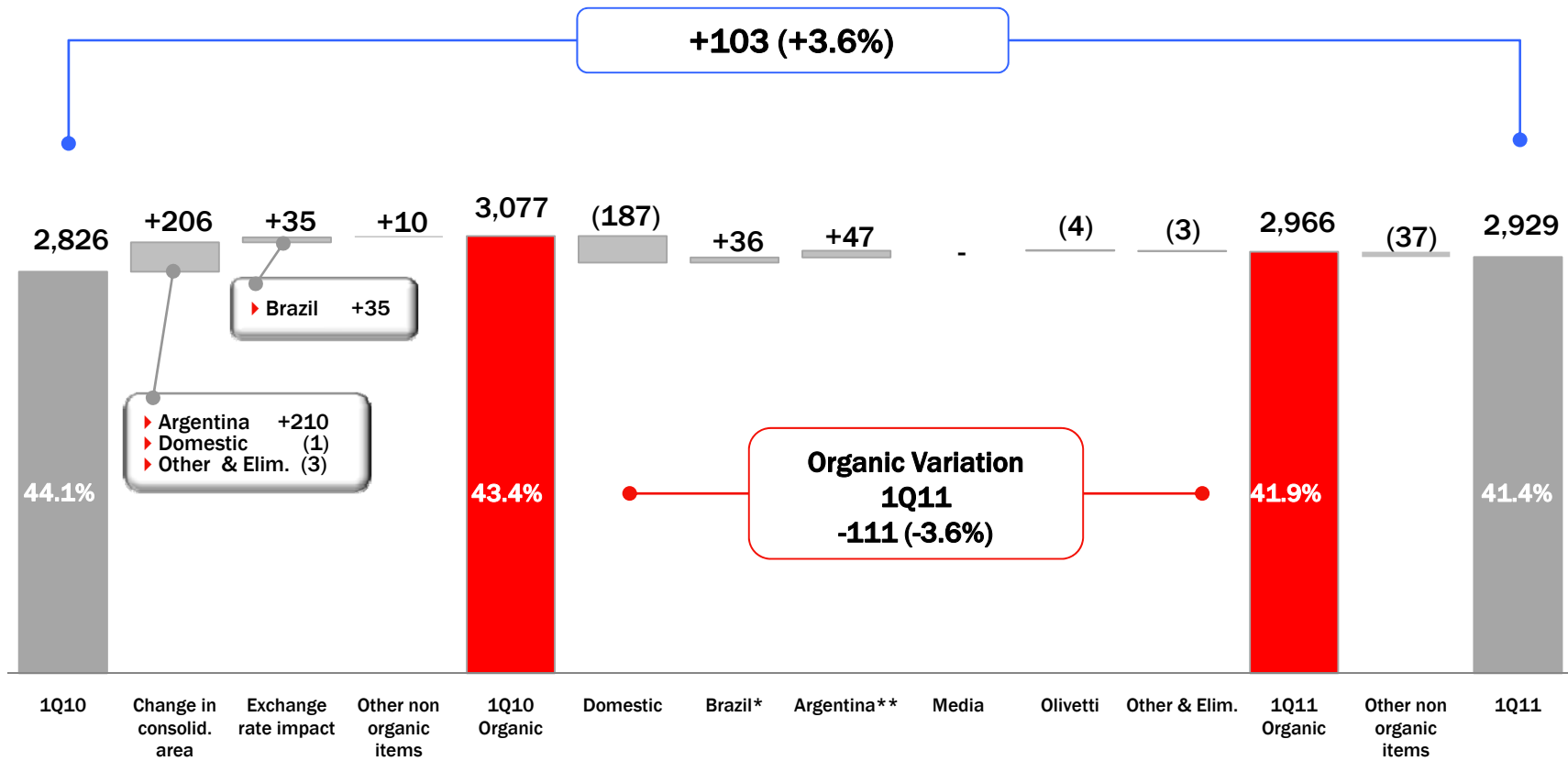


* Average Exchange rate (Real/Euro): 2.28 in 2011, 2.49 in 2010

** Average Exchange rate (Peso/Euro): 5.49 in 2011, 5.31 in 2010

TI Group – Ebitda Evolution

Euro mln

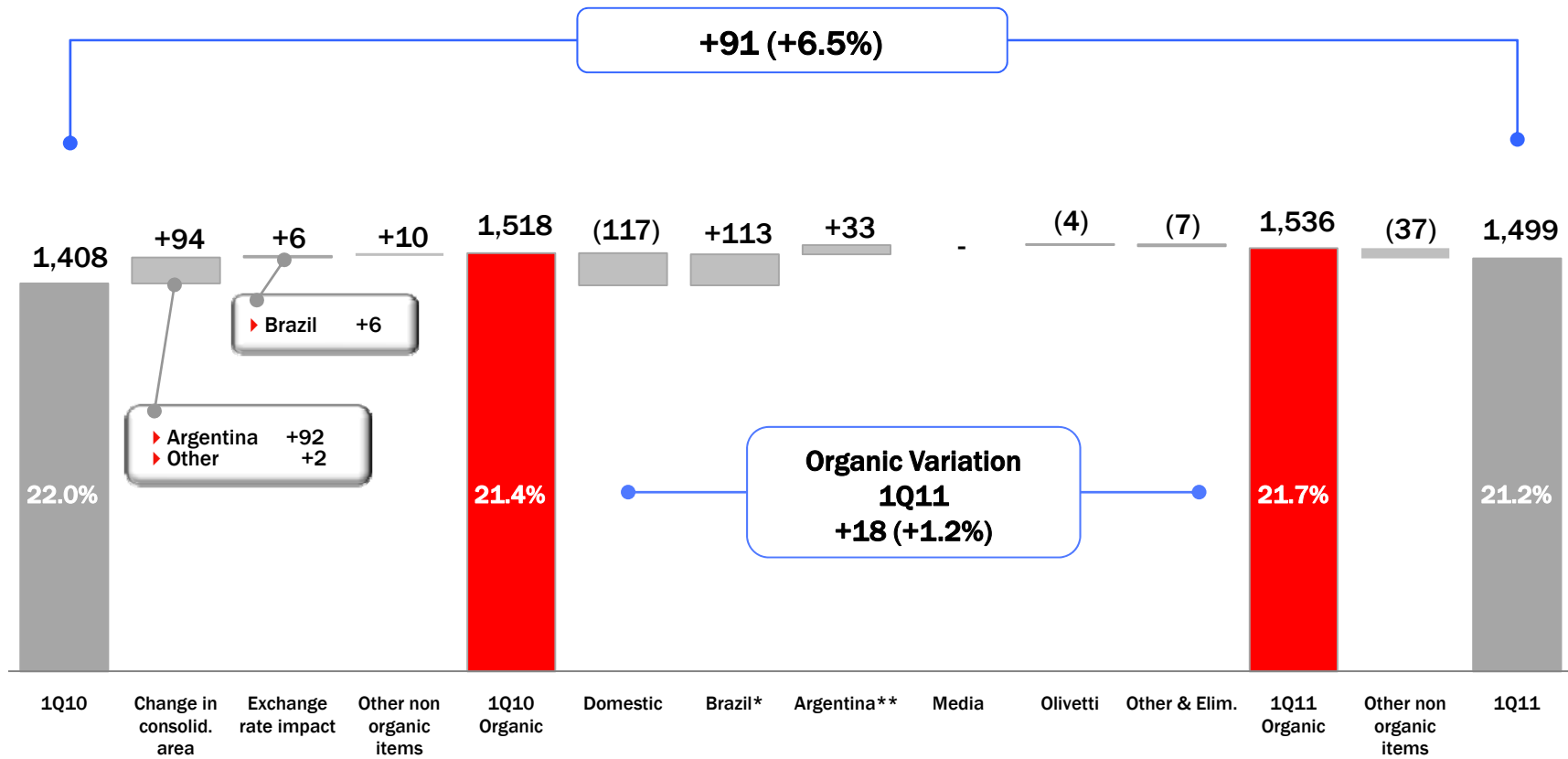


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TI Group – Ebit Evolution

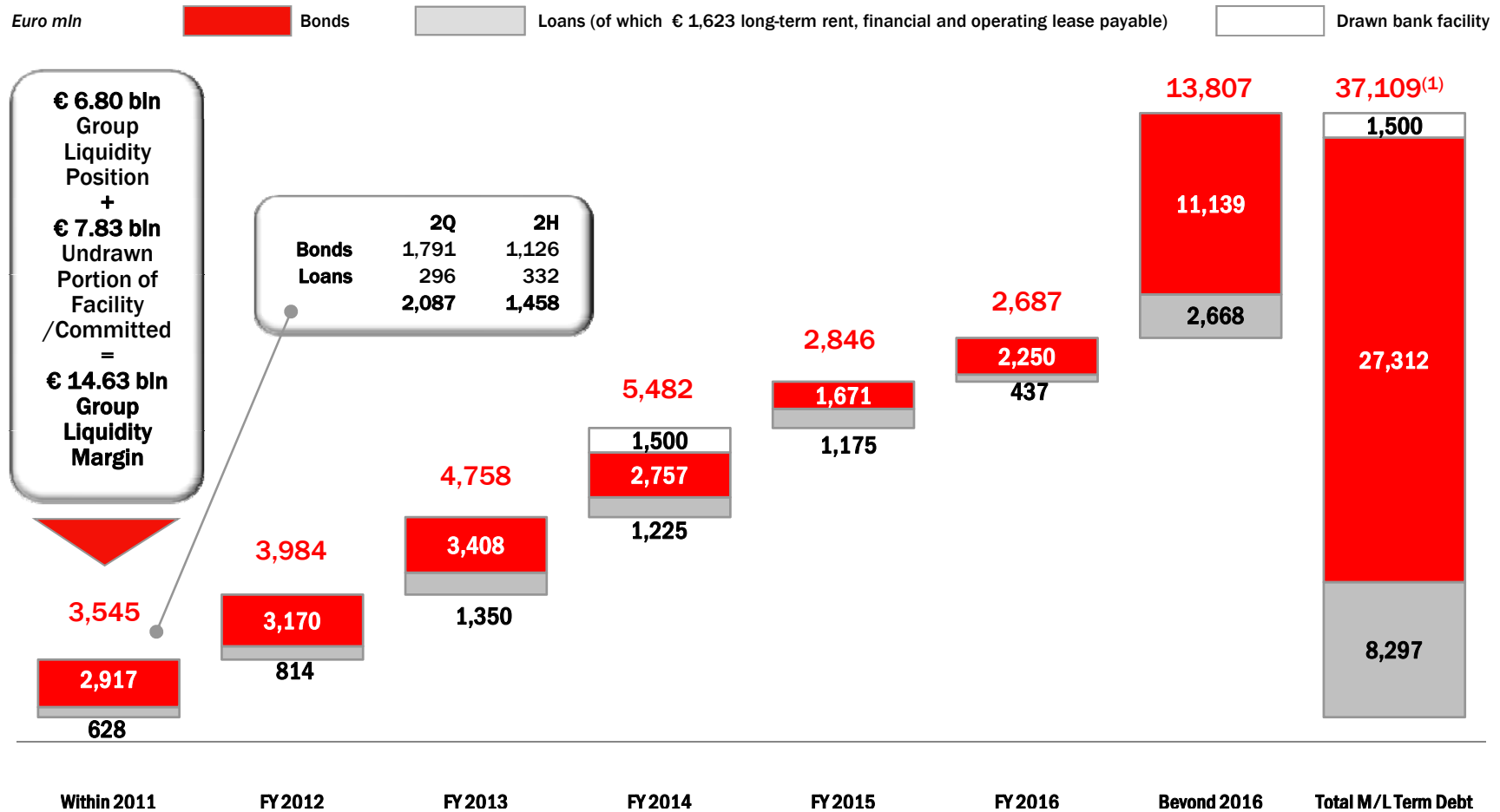
Euro mln



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Even and Back-Loaded Maturities



(1) € 37,109 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 729 mln) and current liabilities (€ 447 mln), the gross debt figure of € 38,285 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 2055), € 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 € 1,050 mln 7.75 % Notes due 2033), € 209 mln (face value) of repurchased own bonds (TIF € 2,000 mln 7.50 % Notes due 2011) and € 187 mln (face value) of repurchased own bonds (TIF € 1,000 mln 7.25 % Notes due 2012).

TI Group 1Q11 Results - P&L

Euro mln – Reported Data

	I Quarter			
	2011	2010	Δ Abs.	Δ %
REVENUES	7,073	6,413	660	10.3
Other Operating Income	48	53	(5)	(9.4)
TOTAL REVENUES & OTHER INCOME	7,121	6,466	655	10.1
Total Purchases of materials and external services	(2,995)	(2,498)	(497)	19.9
Personnel	(990)	(938)	(52)	5.5
of which payroll	(980)	(931)	(49)	5.3
Other operating costs	(398)	(265)	(133)	50.2
Capitalized Cost and Others	191	61	130	213.1
EBITDA	2,929	2,826	103	3.6
% on Revenues	41.4%	44.1%		
Depreciation & Amortization	(1,431)	(1,412)	(19)	1.3
Writedowns and revaluations of non current assets	1	(5)	6	-
Gains/losses of non current assets realization	0	(1)	1	-
EBIT	1,499	1,408	91	6.5
% on Revenues	21.2%	22.0%		
Income (loss) equity invest. valued equity method	(4)	25	(29)	
Other income (expenses) from investments	17	2	15	
Net Financial Income / (Expenses)	(470)	(474)	4	
Income before Taxes & Disc. Ops.	1,042	961	81	
% on Revenues	14.7%	15.0%		
Taxes	(394)	(355)	(39)	
Income before Disc. Ops.	648	606	42	
Net income (loss) of assets disposed	0	0	0	
Net Income (ante Minorities)	648	606	42	
% on Revenues	9.2%	9.4%		
Minorities	(99)	(5)	(94)	
Net Income (post Minorities)	549	601	(52)	
% on Revenues	7.8%	9.4%		

TI Group 1Q11 – Main Results by BU

Euro mln

Reported Data	I Quarter			
	2011	2010	Δ Abs.	Δ %
REVENUES				
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	
TI Group	7,073	6,413	660	10.3
EBITDA				
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	
TI Group	2,929	2,826	103	3.6
EBITDA MARGIN	41.4%	44.1%	-2.7 pp	
EBIT				
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	
TI Group	1,499	1,408	91	6.5
EBIT MARGIN	21.2%	22.0%	-0.8 pp	

Organic Data	I Quarter			
	2011	2010	Δ Abs.	Δ %
REVENUES				
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	
TI Group	7,073	7,088	-15	(0.2)
EBITDA				
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	
TI Group	2,966	3,077	-111	(3.6)
EBITDA MARGIN	41.9%	43.4%	-1.5 pp	
EBIT				
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	
TI Group	1,536	1,518	18	1.2
EBIT MARGIN	21.7%	21.4%	0.3 pp	