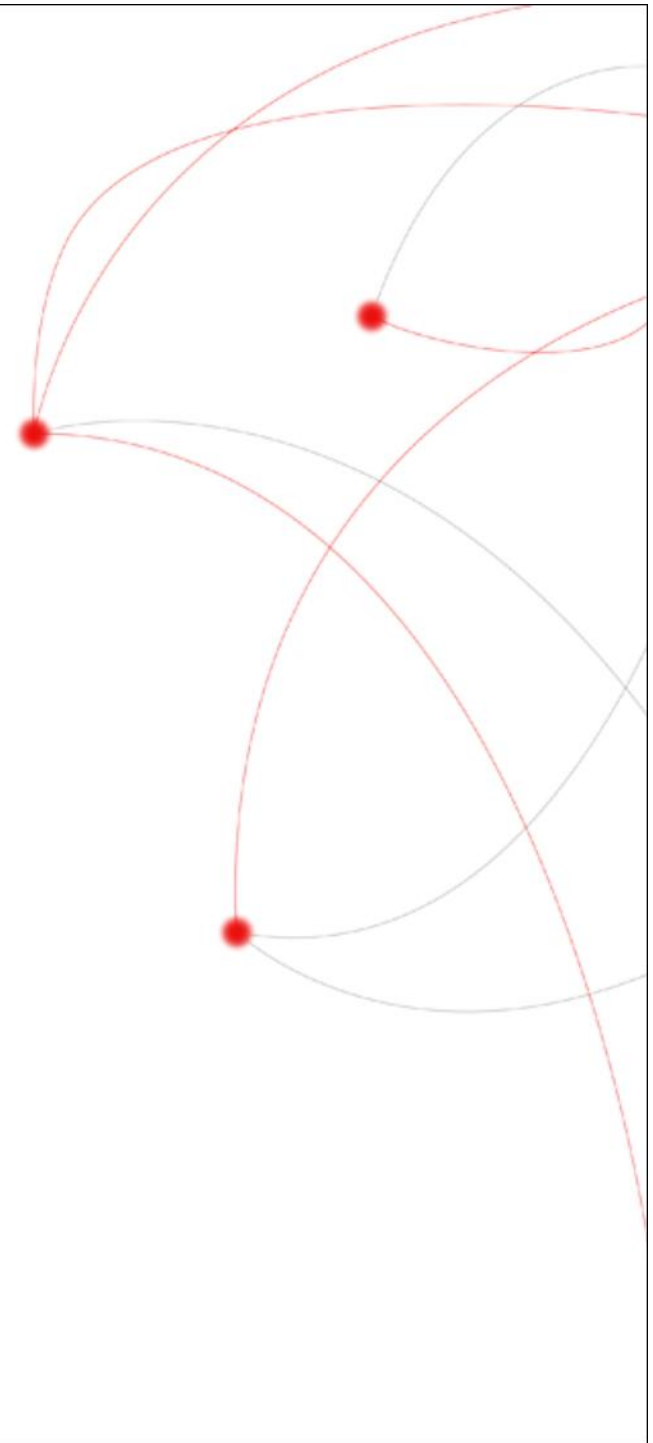


Telecom Italia Conference Call
2010 Results & Plan Update
February 25th, 2011

TIM Brasil

FY10 Results & Plan Update

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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.

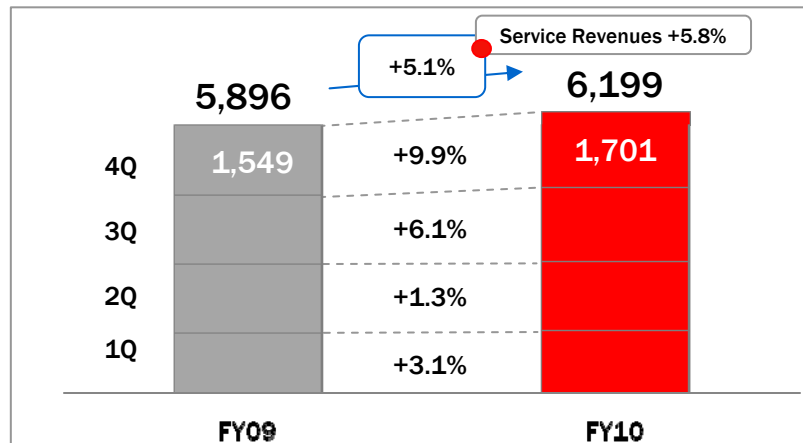
Agenda

- ▶ **TIM Brasil 2010 Results**
- ▶ **TIM Brasil Plan Update**

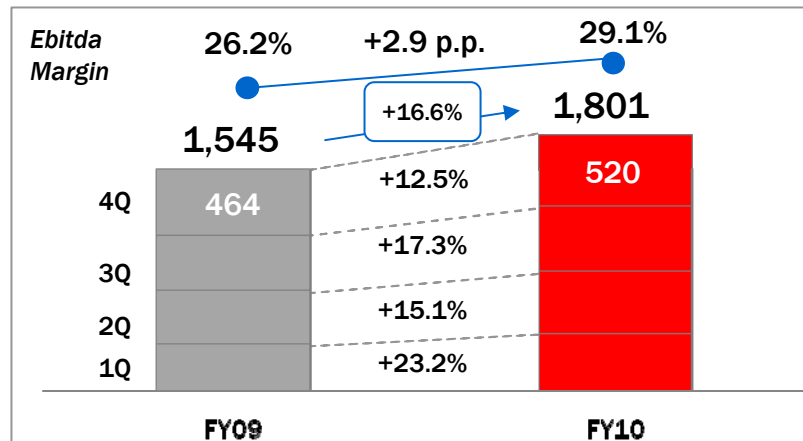
Turnaround Accomplished

Euro Mln, Organic Data*, %

Revenues



EBITDA



* As consolidated in Telecom Italia



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Achievements

Positioning

- ▶ **Top of Mind Brand**
- ▶ **Leading in Preference/Rejection** (innovation, quality, convenience)
- ▶ **Leading in Network quality** (Anatel' score)

Size & Growth

- ▶ **Customer Base:**
 - ▶ 51mln lines (+24%): +16% Pos; +25% Pre
 - ▶ Leader in CB growth: +10 mln lines in 1 year
- ▶ **Market share:**
 - ▶ 25.1% (#3 in volume)
 - ▶ Incremental Market Share 34%

Economics

- ▶ **P&L:**
 - ▶ 29% Ebitda margin (+320 bp vs YA)
 - ▶ Bn 0.7 EBIT (2X vs 2009)
 - ▶ Bn 1.2 Net Income (3X vs 2009)
- ▶ **Balance Sheet:**
 - ▶ Bn 0.6 Operating Free Cash Flow (2X vs 2009)
 - ▶ Bn 0.4 Net Debt; Debt to Ebitda 0.24X

Lessons Learned – How to match Growth and Profitability

Market Analysis (ex-ante)

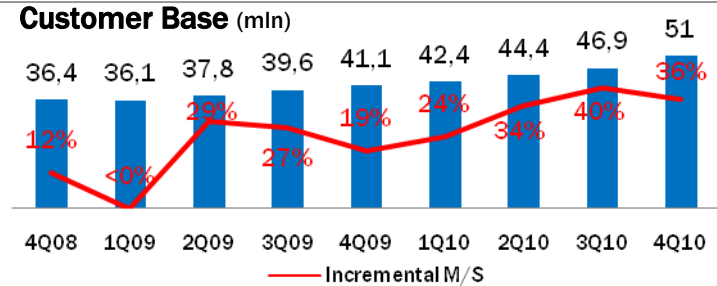
- ▶ Traditional offering excluded prepaid (most of population) from calling (incoming only)
- ▶ Competition focused on traditional product driven offering (subsidy), with limited usage packages

TIM's Approach ("Breaking the rules")

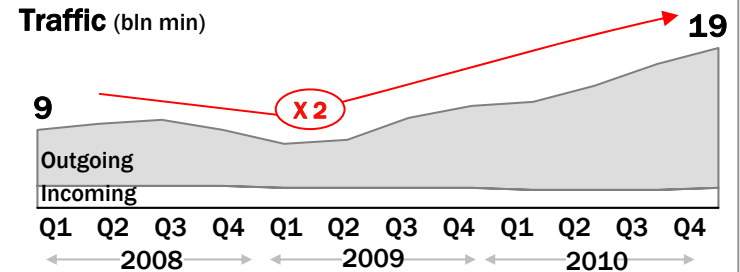
- ▶ Offer everything to everybody (adressable market expansion)
 - ▶ Pay per call vs per minute
 - ▶ Local equal to Long Distance
- ▶ Challenge traditional "Go-to-Market" (efficiency in SAC)
 - SIM unlocked/ no subsidy handsets
- ▶ "Leverage on willingness to use, changing the willingness to pay attitude" (attractiveness)

Results: Inverting Trend

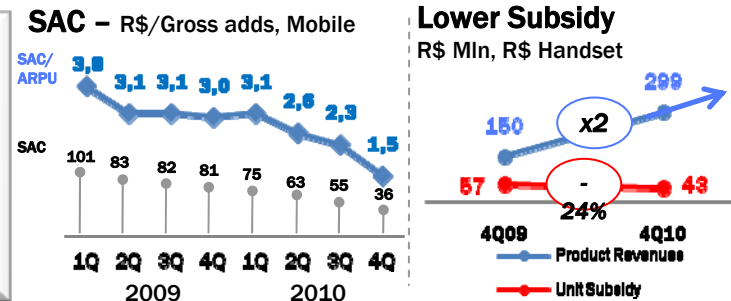
More People



Talking More

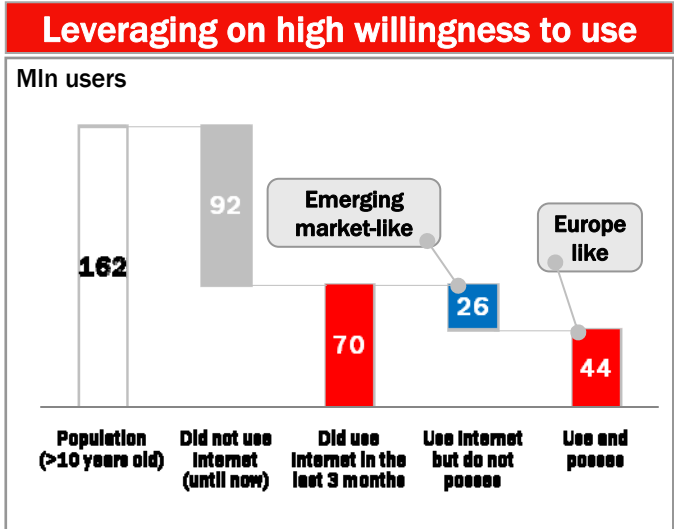


Efficiency in Go-to-Market

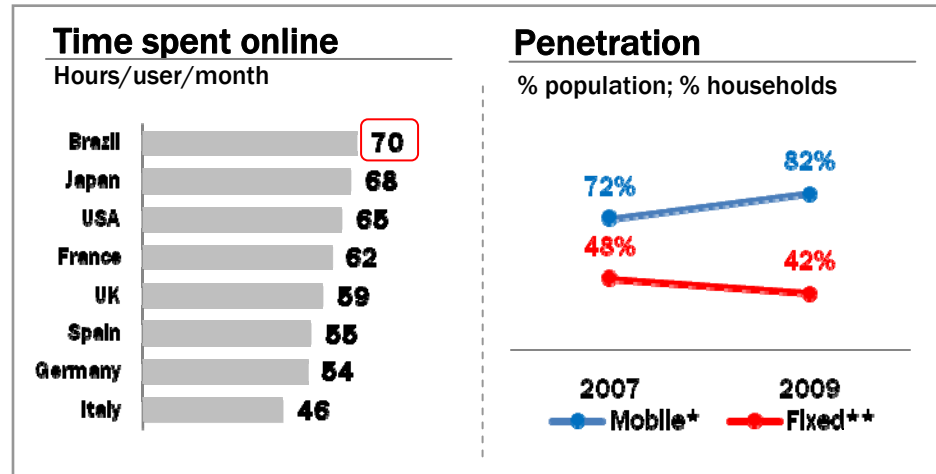


Data - the New Wave

Market Analysis



Brazilian TLC profile

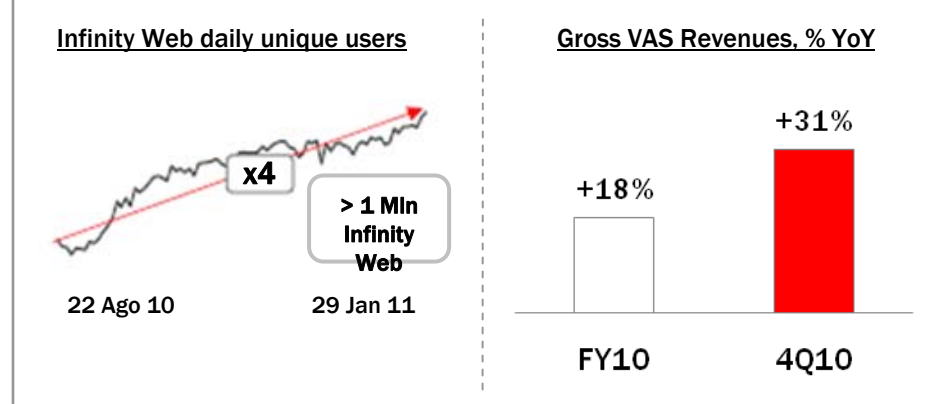


TIM's approach

Innovation (challenging the willingness to pay)

Very good fit with mobile business innovation

Quick Responsiveness



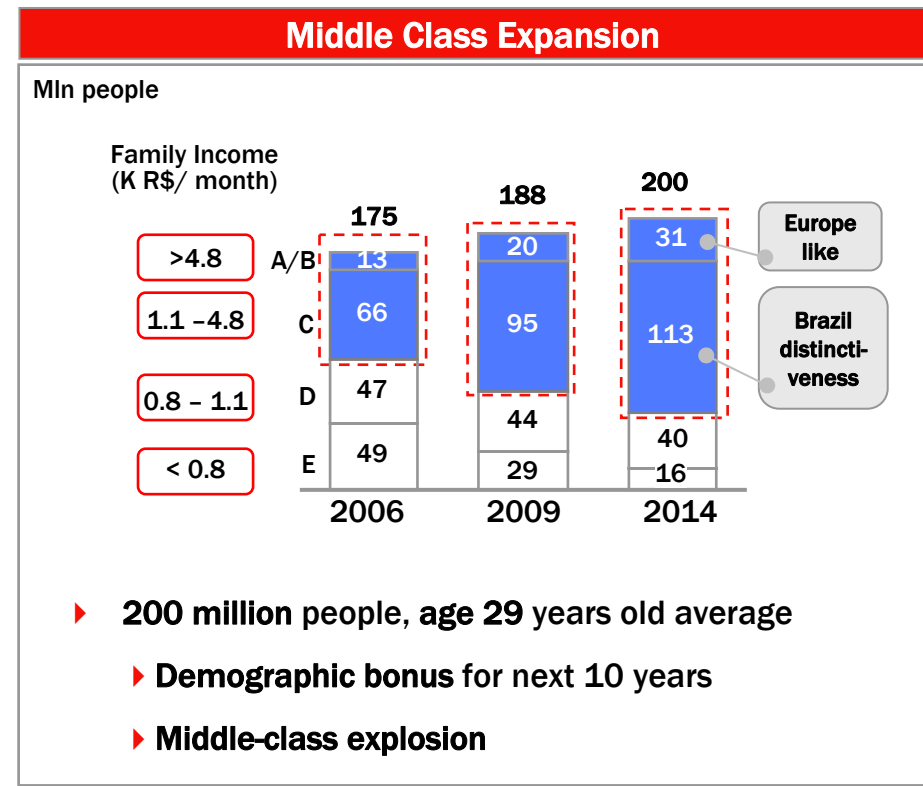
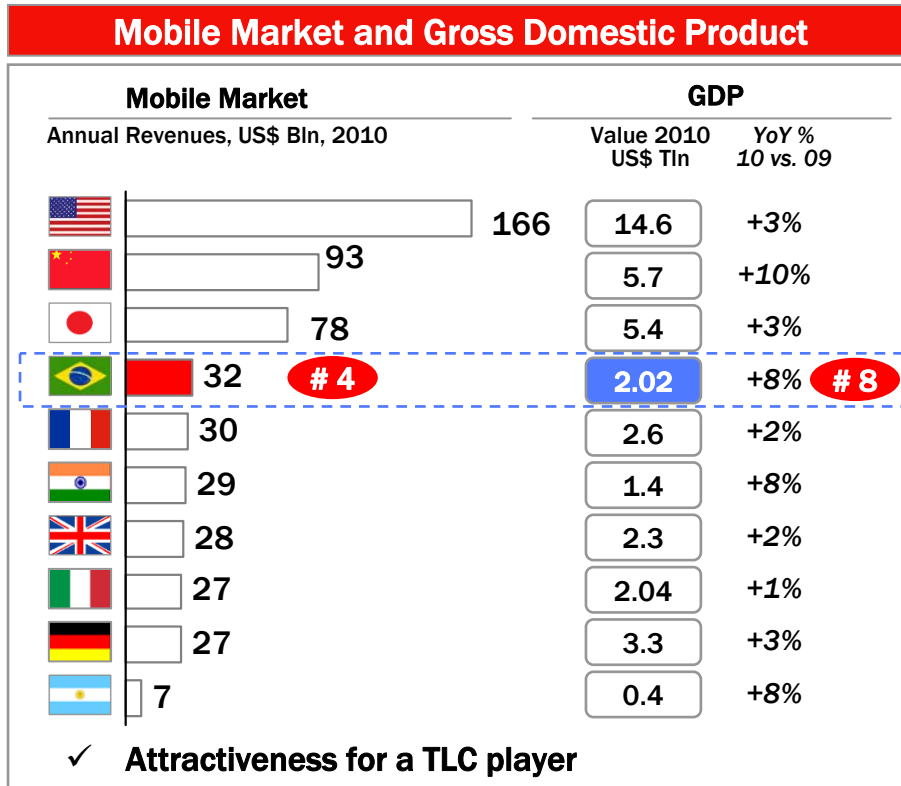
* Mobile penetration: % of C Class population who used a mobile in the past 3 months

** Fixed penetration: % of C Class households who possess a land line

Agenda

- ▶ TIM Brasil 2010 Results
- ▶ **TIM Brasil Plan Update**

Brazil: Big Country, with Rapid Socio-demographic Reshaping

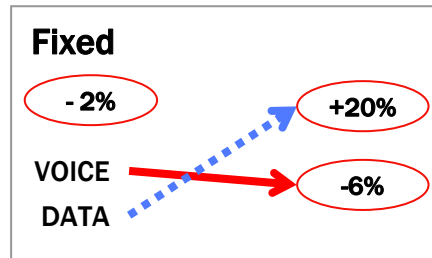
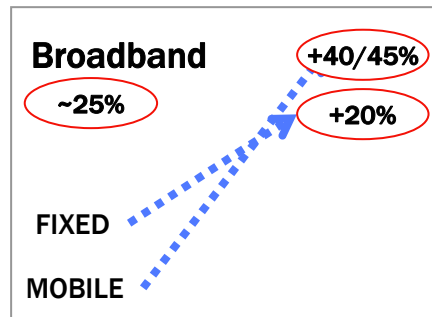
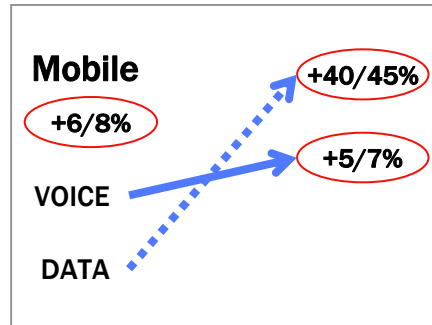


- ▶ **Class C behavior:**
 - ▶ Very high willingness to use (everything)
 - ▶ Willingness to pay (depends on new purchasing scheme)

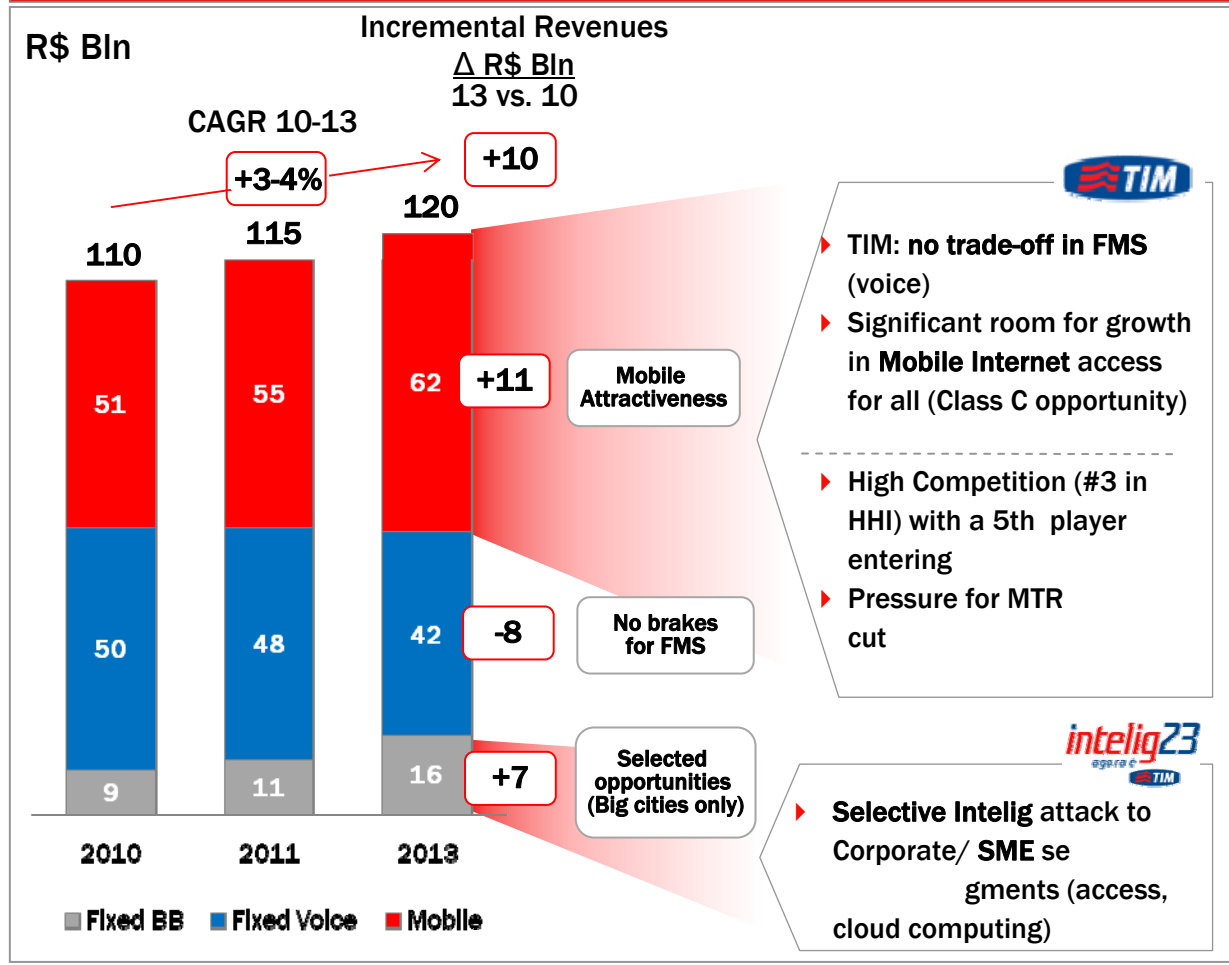
An attractive country that requires innovation on Go-To-Market to attack emerging Class C people

TIM Competitive Positioning

CAGR 2010-2013



Brazilian Telecom Market

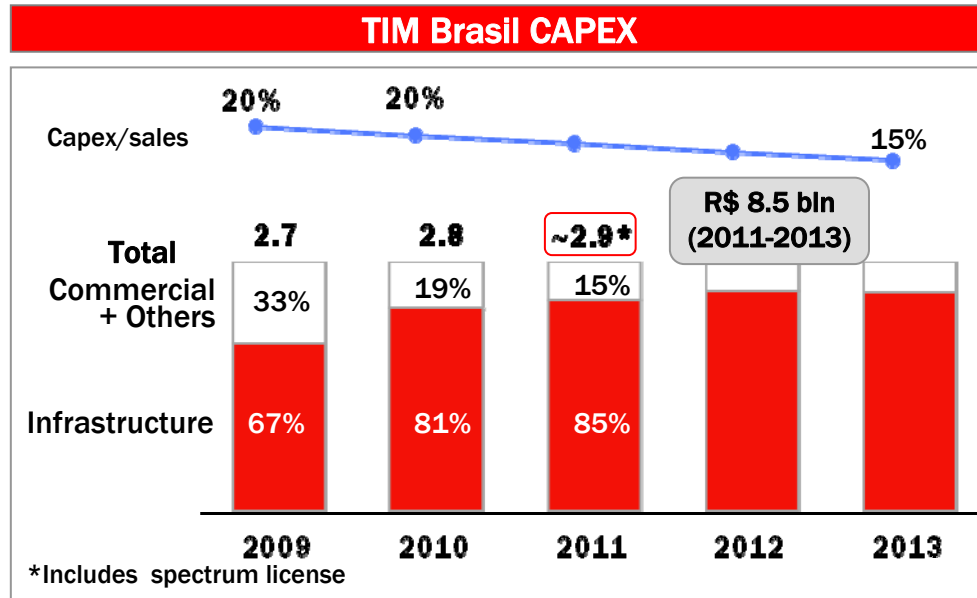


Strategy

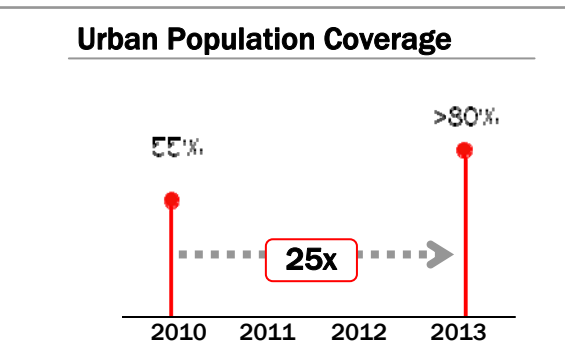
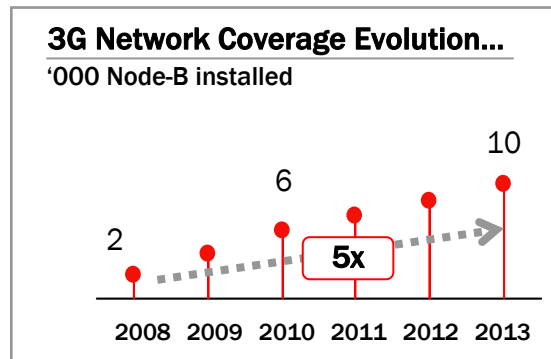
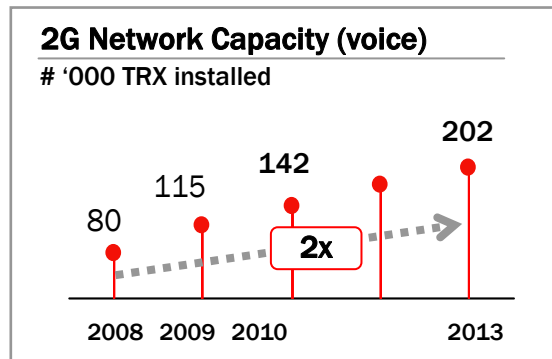
	Rational	Expected Results										
Community matters (Size)	<ul style="list-style-type: none"> ▶ Natural expansion of TIM Community pushed by <i>word of mouth</i> ▶ Geographic expansion: consolidation in strong area and fast growth in untapped Regions 	Customer Base Subscribers EoP, Mln <table border="1"> <tr><th>Year</th><td>2009</td><td>2010</td><td>2011</td><td>2013</td></tr> <tr><th>Subscribers (Mln)</th><td>41</td><td>51</td><td>58</td><td>>70</td></tr> </table>	Year	2009	2010	2011	2013	Subscribers (Mln)	41	51	58	>70
Year	2009	2010	2011	2013								
Subscribers (Mln)	41	51	58	>70								
Push FMS (Usage)	<ul style="list-style-type: none"> ▶ Push FMS (TIM's advantage) ▶ Keep innovation pace on core business (push Infinity and Liberty concept; extend it to off-net calls) 	<div style="display: flex; justify-content: space-between;"> <div> Price per minute R\$/min </div> <div> MOU Min/line/month, Average <table border="1"> <tr><th>Year</th><td>2009</td><td>2010</td><td>2013</td></tr> <tr><th>MOU</th><td>84</td><td>116</td><td>2x</td></tr> </table> </div> </div>	Year	2009	2010	2013	MOU	84	116	2x		
Year	2009	2010	2013									
MOU	84	116	2x									
Bring TIM's Community in the Net (Data)	<ul style="list-style-type: none"> ▶ Small Screen navigation ▶ Foster smartphone penetration ▶ Extend Infinity/ Liberty concept towards data (browsing/ micro browsing/ SMS) 	<div style="display: flex; justify-content: space-between;"> <div> Unique users Infinity Web daily unique users </div> <div> Data Revenues % on Service Revenues <table border="1"> <tr><th>Year</th><td>2009</td><td>2010</td><td>2013</td></tr> <tr><th>% on Service Revenues</th><td>12%</td><td>13%</td><td>26% (2x)</td></tr> </table> </div> </div>	Year	2009	2010	2013	% on Service Revenues	12%	13%	26% (2x)		
Year	2009	2010	2013									
% on Service Revenues	12%	13%	26% (2x)									

Strengthen the Network Infrastructure

R\$ Bln



- ### Drivers
- ▶ Increase network capacity to support voice (2G)
 - ▶ Full coverage prospective (3G)
 - ▶ Fiber to the antenna's in main cities
 - ▶ Develop Wi-fi hot spots complementary to 3G



Conclusions: Enhance Business Value Proposition

