

ATTACHMENTS TO THE PRESS RELEASE

ALTERNATIVE PERFORMANCE MEASURES

In this press release in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for purposes of a better understanding of the trend of operations and the financial condition related to the Telecom Italia Group and the Parent company Telecom Italia S.p.A.. Such measures, which are also presented in other periodical financial reports (annual and interim), should, however, not be construed as a substitute for those required by IFRS.

The non-IFRS alternative performance measures used are described below:

- **EBITDA:** this financial measure is used by Telecom Italia as the financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement for the evaluation of the operating performance of the Group (as a whole and at the Business Unit level) and the Parent. This measure is calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Other expenses (income) from investments (1)
+/-	Share of losses (profits) of associates and joint ventures accounted for using the equity method (2)
EBIT - Operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and amortization
EBITDA - Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets	

(1) "Expenses (income) from investments" for Telecom Italia S.p.A.

(2) Caption in Group consolidated financial statements only.

- **Organic change in Revenues and EBITDA:** these measures express changes (amount and/or percentage) in Revenues and EBITDA, excluding, where applicable, the effects of the change in the scope of consolidation, exchange differences and non-organic components constituted by non-recurring items and other non-organic income/expenses. Telecom Italia believes that the presentation of such additional information allows for a more complete and effective understanding of the operating performance of the Group (as a whole and at the Business Unit level) and the Parent. The organic change in Revenues and EBITDA is also used in presentations to analysts and investors. Details of the economic amounts used to arrive at the organic change are provided in this press release as well as an analysis of the major non-organic components for the years 2011 and 2010.
- **Net Financial Debt:** Telecom Italia believes that Net Financial Debt represents an accurate indicator of its ability to meet its financial obligations. It is represented by Gross Financial Debt less Cash and Cash Equivalents and other Financial Assets. In this press release is included a table showing the amounts taken from the statement of financial position and used to calculate the Net Financial Debt of the Group.
In order to better represent the actual change in net financial debt, starting with the Half-Year Financial Report at June 30, 2009, in addition to the usual measure (renamed "Net financial debt carrying amount") the measure has been introduced denominated "Adjusted net financial debt", which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

Net financial debt is calculated as follows:

	+ Non-current financial liabilities
	+ Current financial liabilities
	+ Financial liabilities directly associated with Discontinued operations/ Non-current assets held for sale
A)	Gross Financial Debt
	+ Non-current financial assets
	+ Current financial assets
	+ Financial assets included in Discontinued operations/ Non-current assets held for sale
B)	Financial Assets
C = (A - B)	Net Financial Debt carrying amount
D)	Reversal of fair value measurement of derivatives and related financial liabilities/assets
E = (C + D)	Adjusted Net Financial Debt

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TELECOMITALIA GROUP-KEY OPERATING AND FINANCIAL DATA

TELECOM ITALIA GROUP - HIGHLIGHTS

(millions of euros)	2011 Preliminary (a)	2010 (b)	Change (a-b)		
			absolute	%	% organic
Revenues	29,958	27,571	2,387	8.7	2.7
EBITDA	12,246	11,412	834	7.3	0.0
EBITDA margin	40.9%	41.4%	(0.5)pp		
Organic EBITDA margin	41.2%	42.3%	(1.1)pp		
Capital expenditures	6,095	4,583	1,512		
Operating Free Cash Flow	5,767	6,213	(446)		
Adjusted net financial debt	30,414	31,468	(1,054)		
Headcount at year-end (number)	84,154	84,200	(46)		

TELECOM ITALIA S.p.A. - KEY OPERATING AND FINANCIAL DATA

TELECOM ITALIA S.p.A. - HIGHLIGHTS

(millions of euros)	2011 Preliminary (a)	2010 (b)	Change (a-b)		
			absolute	%	% organic
Revenues	18,045	18,985	(940)	(5.0)	(5.1)
EBITDA	9,000	9,089	(89)	(1.0)	(3.3)
EBITDA margin	49.9%	47.9%	2.0 pp		
Organic EBITDA margin	50.5%	49.5%	1.0 pp		
Capital expenditures	4,122	3,018	1,104		
Adjusted net financial debt	34,883	35,540	(657)		
Headcount at year-end (number)	47,801	49,636	(1,835)		

TELECOMITALIA GROUP-INFORMATION BY OPERATING SEGMENTS

DOMESTIC

(millions of euros)	2011 Preliminary	2010	Change		
			absolute	%	% organic
Revenues	19,033	20,068	(1,035)	(5.2)	(4.8)
EBITDA	9,243	9,393	(150)	(1.6)	(3.9)
EBITDA margin %	48.6	46.8	1.8pp		0.5pp
Capital expenditures	4,200	3,106	1,094	35.2	
Headcount at year-end (number)	55,389	56,530	1,141	(2.0)	

Core Domestic

(millions of euros)	2011 Preliminary	2010	Change		
			absolute	%	% organic
Revenues	18,124	19,065	(941)	(4.9)	(4.8)
Consumer	9,217	9,739	(522)	(5.4)	(5.0)
Business	3,267	3,509	(242)	(6.9)	(6.9)
Top	3,322	3,511	(189)	(5.4)	(5.4)
National Wholesale	2,103	2,076	27	1.3	1.0
Other	215	230	(15)	(6.5)	(4.4)
EBITDA	9,009	9,104	(95)	(1.0)	(3.4)
EBITDA margin %	49.7	47.8		1.9pp	0.7pp
Capital expenditures	4,124	3,027	1,097	36.2	
Headcount at year-end (number)	54,380	55,475	(1,095)	(2.0)	

International Wholesale

(millions of euros)	2011 Preliminary	2010	Change		
			absolute	%	% organic
Revenues	1,393	1,569	(176)	(11.2)	(8.8)
Of which third parties	960	1,099	(139)	(12.6)	(7.8)
EBITDA	246	300	(54)	(18.0)	(17.7)
EBITDA margin %	17.7	19.1		(1.4)pp	(1.9)pp
Capital expenditures	76	82	(6)	(7.3)	
Headcount at year-end (number)	1,009	1,055	(46)	(4.4)	

DOMESTIC-Revenues details fixed lines/mobile

(millions of euros)	2011 Preliminary			2010			Change%		
	Total	Fixed(*)	Mobile(*)	Total	Fixed(*)	Mobile(*)	Total	Fixed(*)	Mobile(*)
Consumer	9,217	4,410	4,973	9,739	4,674	5,275	(5.4)	(5.6)	(5.7)
Business	3,267	2,182	1,126	3,509	2,336	1,220	(6.9)	(6.6)	(7.7)
Top	3,322	2,585	826	3,511	2,724	887	(5.4)	(5.1)	(6.9)
National Wholesale	2,103	3,028	154	2,076	2,934	234	1.3	3.2	(34.2)
Other	215	220	35	230	201	76	(6.5)	9.5	(53.9)
Total Core Domestic	18,124	12,425	7,114	19,065	12,869	7,692	(4.9)	(3.5)	(7.5)
International Wholesale	1,393	1,393		1,569	1,569		(11.2)	(11.2)	
Eliminations	(484)	(276)		(566)	(322)				
Total Domestic	19,033	13,542	7,114	20,068	14,116	7,692	(5.2)	(4.1)	(7.5)

(*)The breakdown by fixed and mobile technology is presented gross of intersegment eliminations.

BRAZIL

	(million of euros)		(million of reais)		Changes		
	2011 Preliminary (a)	2010 (b)	2011 Preliminary (c)	2010 (d)	absolute (c-d)	% (c-d)/d	% organic
Revenues	7,343	6,199	17,086	14,457	2,629	18.2	18.2
EBITDA	1,990	1,801	4,631	4,201	430	10.2	10.7
EBITDA margin %	27.1	29.1	27.1	29.1		(2.0)pp	(1.9)pp
Capital expenditures	1,290	1,216	3,002	2,836	166	5.9	
Headcount at year-end (number)			10,539	10,114	425	4.2	

ARGENTINA

The following table reports the main results achieved by the Argentina Business Unit in 2011 and, for 2010, starting from the acquisition date of control by the Telecom Italia Group (October 13, 2010).

	(million of euros)	(million of pesos)	(million of euros)	(million of pesos)
	2011 Preliminary	2011 Preliminary	Period from October 13, 2010 to December 31, 2010	Period from October 13, 2010 to December 31, 2010
Revenues	3,220	18,496	798	4,142
EBITDA	1,035	5,947	245	1,269
EBITDA margin %	32.2	32.2	30.6	30.6
Capital expenditures	556	3,192	188	975
Headcount at year-end (number) (*)		16,350		15,650

(*) Includes employees with temp work contracts: 1 at December 31, 2011 and 18 at December 31, 2010.

For a better understanding of the performance of the Argentina Business Unit, the following table presents the main results achieved for the full year 2011 compared to those of 2010. The 2010 data has been restated and provided solely for information purposes (illustrative and comparative), being included in the consolidated results of the Telecom Italia Group starting from the acquisition date of control.

	(million of euros)		(million of pesos)		Change	
	2011 Preliminary (a)	2010 (b)	2011 Preliminary (c)	2010 (d)	absolute (c-d)	% (c-d)/d
Revenues	3,220	2,820	18,496	14,627	3,869	26.5
EBITDA	1,035	924	5,947	4,793	1,154	24.1
EBITDA margin %	32.2	32.8	32.2	32.8		(0.6)pp
Capital expenditures	556	493	3,192	2,558	634	24.8
Headcount at year-end (number) (*)			16,350	15,650	700	4.5

(*) Includes employees with temp work contracts: 1 at December 31, 2011 and 18 at December 31, 2010.

OLIVETTI

(millions of euros)	2011 Preliminary	2010	Change	
			absolute	%
Revenues	343	391	(48)	(12.3)
EBITDA	(35)	(19)	(16)	(84.2)
EBITDA margin %	(10.2)	(4.9)		
Capital expenditures	5	5		
Headcount at year-end (number)	1,075	1,090	(15)	(1.4)

TELECOMITALIA GROUP – RECONCILIATION TO COMPARABLE EBITDA

	Domestic (millions of euros)		TELECOM ITALIA GROUP (millions of euros)		Brazil (millions of reais)		Telecom Italia S.p.A. (millions of euros)	
	2011 Preliminary	2010	2011 Preliminary	2010	2011 Preliminary	2010	2011 Preliminary	2010
HISTORICAL EBITDA	9,243	9,393	12,246	11,412	4,631	4,201	9,000	9,089
Effect of change in scope of consolidation		(8)		592				
Effect of change in exchange rates		(4)		(23)				
Non-organic costs and expenses (revenues and income)	108	346	93	354	18		105	331
<i>Non-organic revenues for loyalty program</i>		(35)		(35)				(35)
<i>Expenses for mobility under Law 223/91</i>	12	254	12	258			9	245
<i>Disputes and settlement</i>	63	91	42	91			63	91
<i>Other expenses (income), net</i>	33	36	39	40	18		33	30
COMPARABLE EBITDA	9,351	9,727	12,339	12,335	4,649	4,201	9,105	9,420

TELECOM ITALIA GROUP – NET OPERATING FREE CASH FLOW

Net operating free cash flow

(millions of euros)	Year 2011 Preliminary	Year 2010	Change
EBITDA	12,246	11,412	834
Capital expenditures on an accrual basis	(6,095)	(4,583)	(1,512)
Change in net operating working capital	(100)	(223)	123
Change in provisions for employees benefits	(250)	73	(323)
Change in operating provisions and Other changes	(34)	(466)	432
Net operating free cash flow	5,767	6,213	(446)

TELECOMITALIA GROUP-NET FINANCIAL DEBT

(millions of euros)	12/31/2011 Preliminary	12/31/2010	Change
	(a)	(b)	(a-b)
Non-current financial liabilities			
Bonds	24,478	24,589	(111)
Amounts due to banks, other financial payables and liabilities	10,078	8,317	1,761
Finance lease liabilities	1,304	1,442	(138)
	35,860	34,348	1,512
Current financial liabilities^(*)			
Bonds	3,895	4,989	(1,094)
Amounts due to banks, other financial payables and liabilities	1,951	1,661	290
Finance lease liabilities	245	232	13
	6,091	6,882	(791)
Financial liabilities relating to Discontinued operations/Non-current assets held for sale	-	-	-
Total Gross financial debt	41,951	41,230	721
Non-current financial assets			
Securities other than investments	(12)	(13)	1
Financial receivables and other non-current financial assets	(2,937)	(1,850)	(1,087)
	(2,949)	(1,863)	(1,086)
Current financial assets			
Securities other than investments	(1,007)	(1,316)	309
Financial receivables and other current financial assets	(462)	(438)	(24)
Cash and cash equivalents	(6,714)	(5,526)	(1,188)
	(8,183)	(7,280)	(903)
Financial assets relating to Discontinued operations/Non-current assets held for sale	-	-	-
Total financial assets	(11,132)	(9,143)	(1,989)
Net financial debt carrying amount	30,819	32,087	(1,268)
Reversal of fair value measurement of derivatives and related financial assets/liabilities	(405)	(619)	214
Adjusted net financial debt	30,414	31,468	(1,054)
<i>Breakdown as follows:</i>			
Total adjusted gross financial debt	39,382	39,383	(1)
Total adjusted financial assets	(8,968)	(7,915)	(1,053)
<i>(*)of which current portion of medium/long-term debt:</i>			
Bonds	3,895	4,989	(1,094)
Amounts due to banks, other financial payables and liabilities	1,064	919	145
Finance lease liabilities	245	232	13