

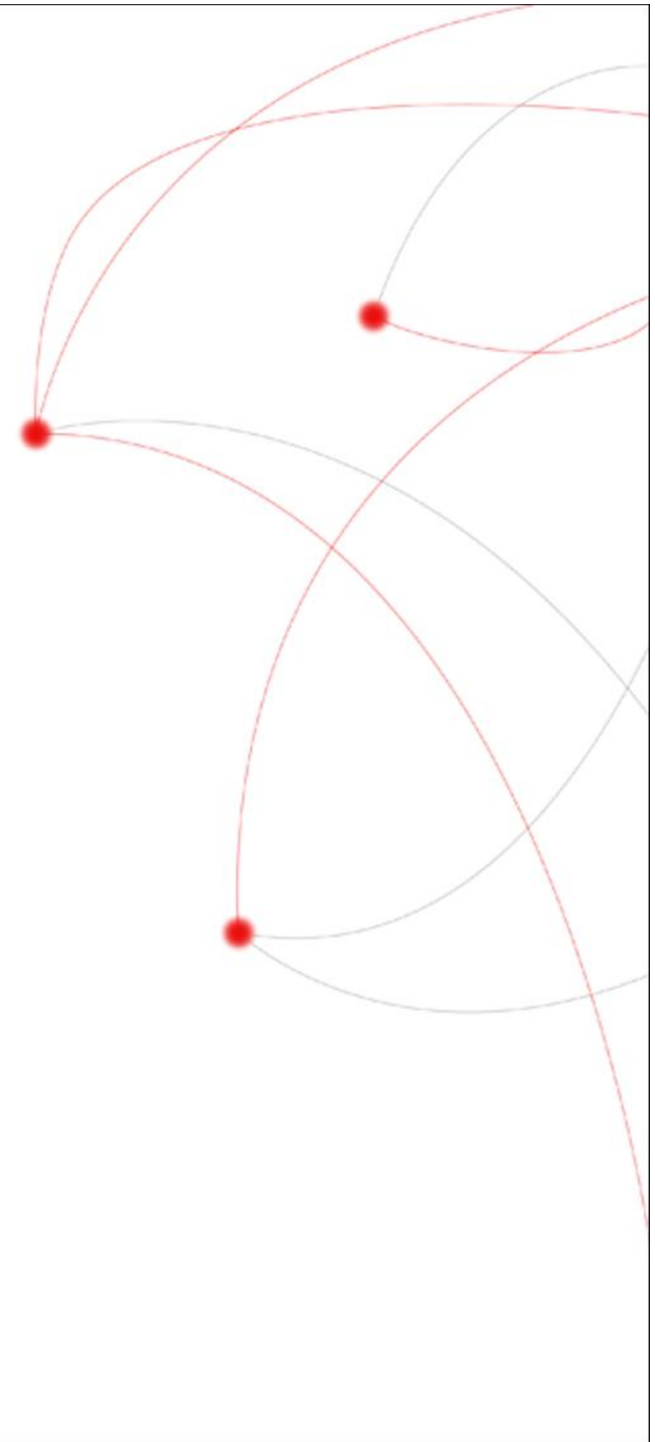
TELECOM ITALIA GROUP

1H 2012 Results

Milan, August 2nd, 2012

Telecom Italia 1H 2012 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. Consequently, Telecom Italia S.p.A. makes no representation, whether expressed or implied, as to the conformity of the actual results with those projected in the forward looking statement.

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.

Some data for the 2011 financial year used in comparisons included into this presentation are restated as a result of the early adoption of the revised IAS 19 (Employee Benefits) version and the reclassification of Matrix from the Business Unit Domestic-Core Domestic to the Business Unit Other Activities

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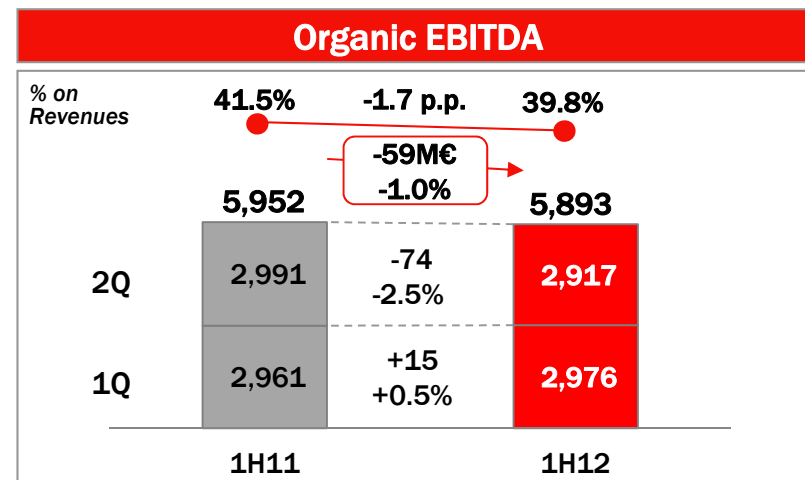
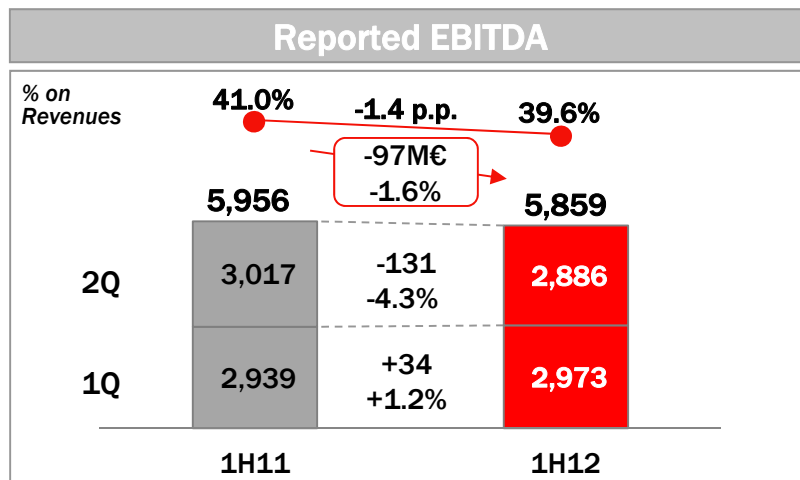
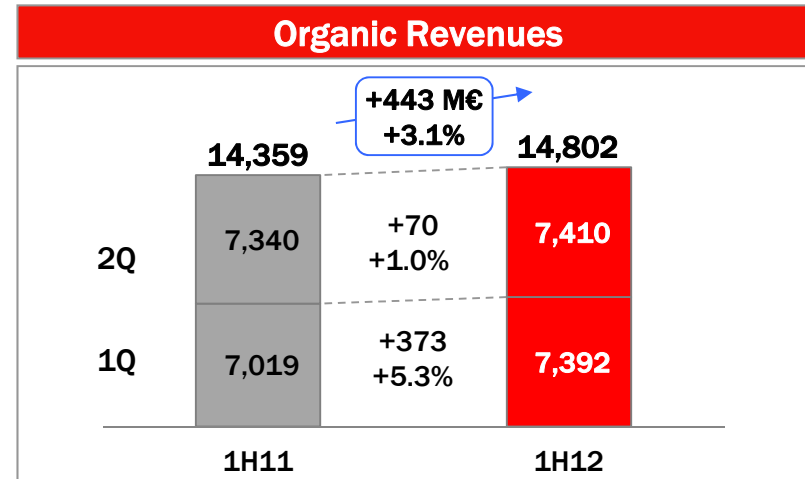
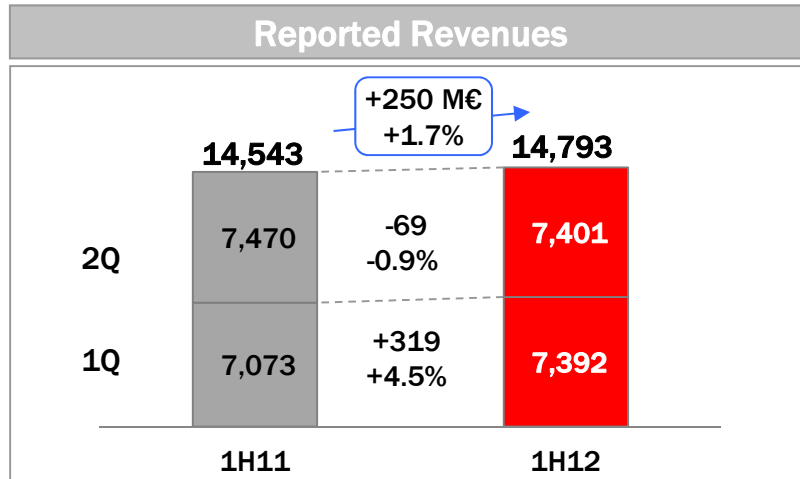
- ▶ **TI Group 1H12 Results**

- ▶ **Telecom Italia Core Markets Results**
 - ▶ Italy
 - ▶ Brazil
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- ▶ **Financial Position and Wrap-up**
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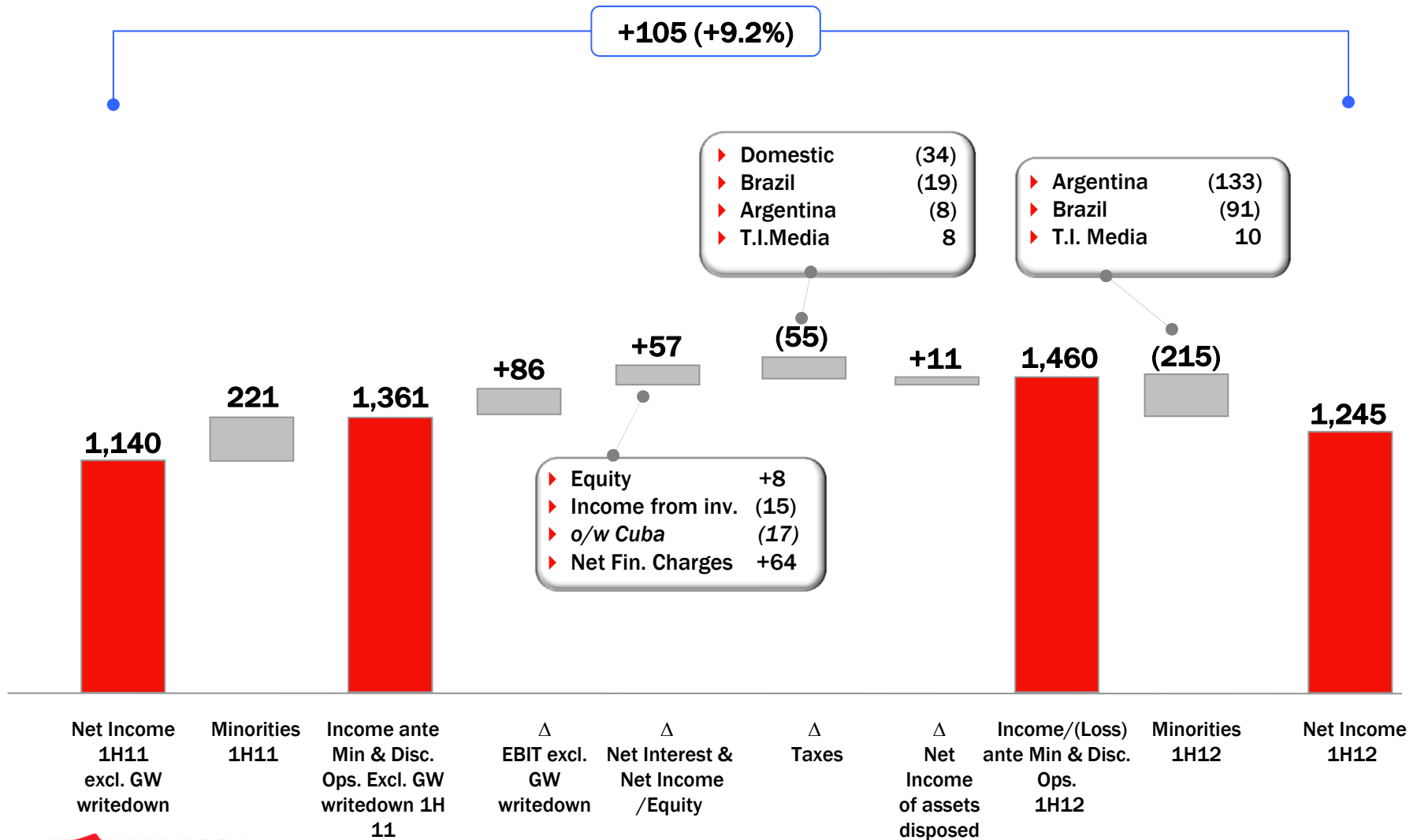
TI Group: Revenues & EBITDA trends

Euro mln, YoY%



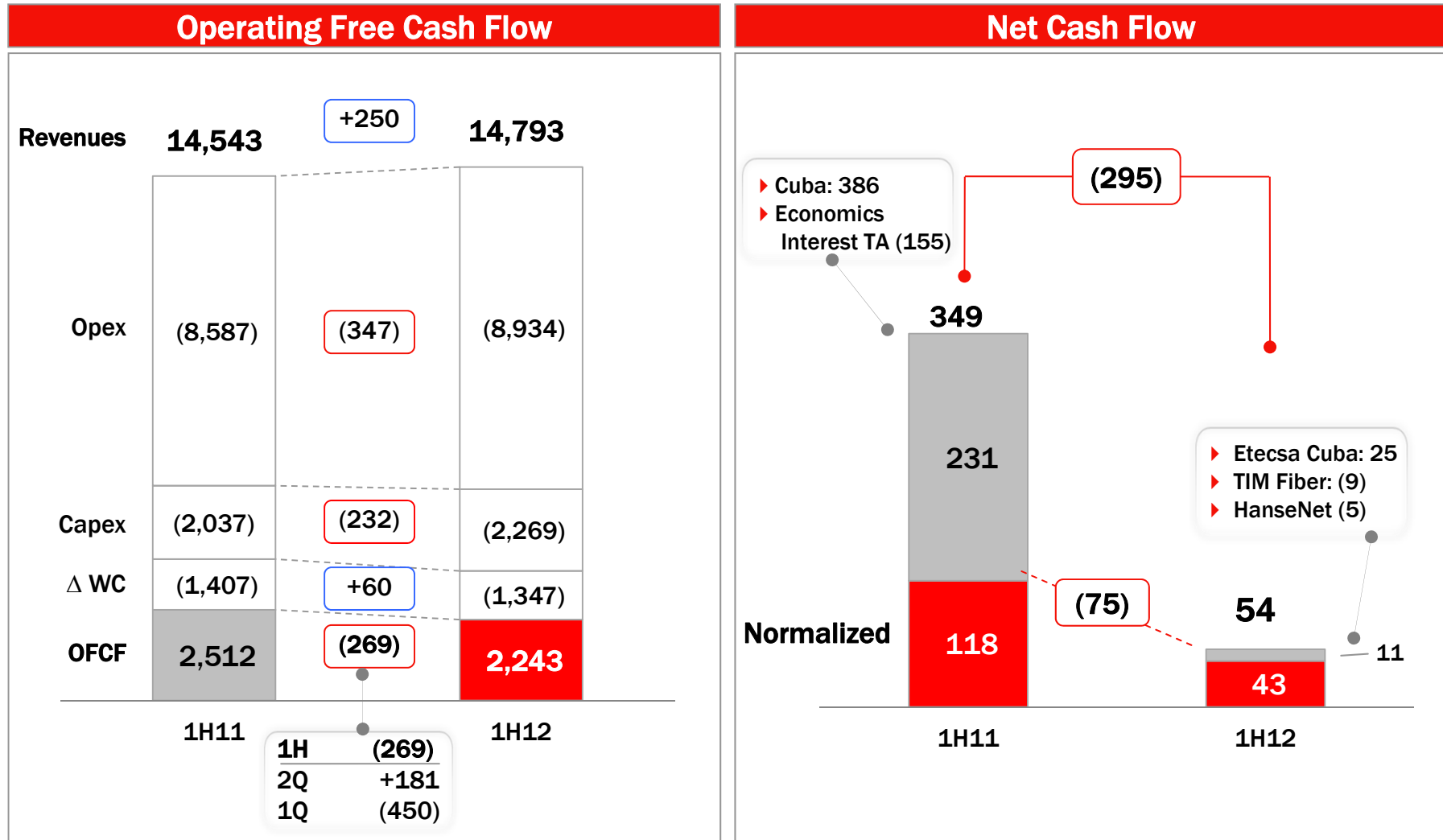
Net Income Evolution

Euro mln



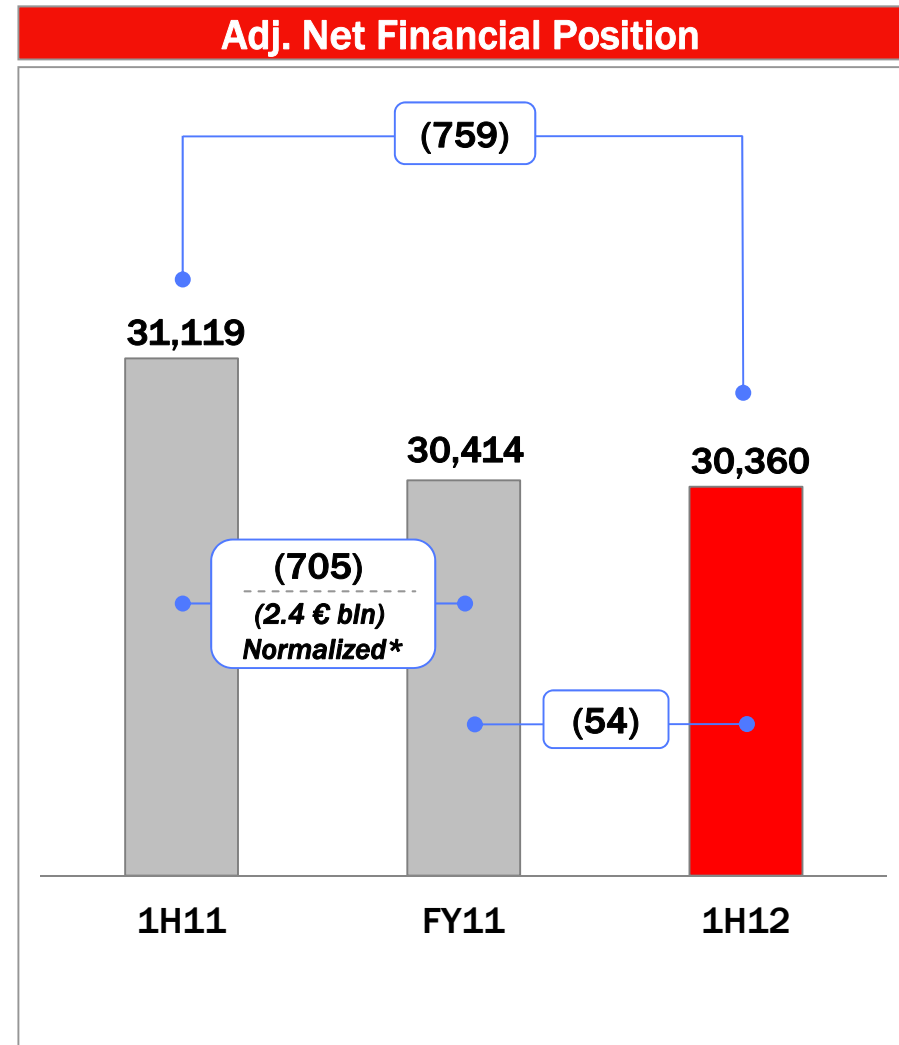
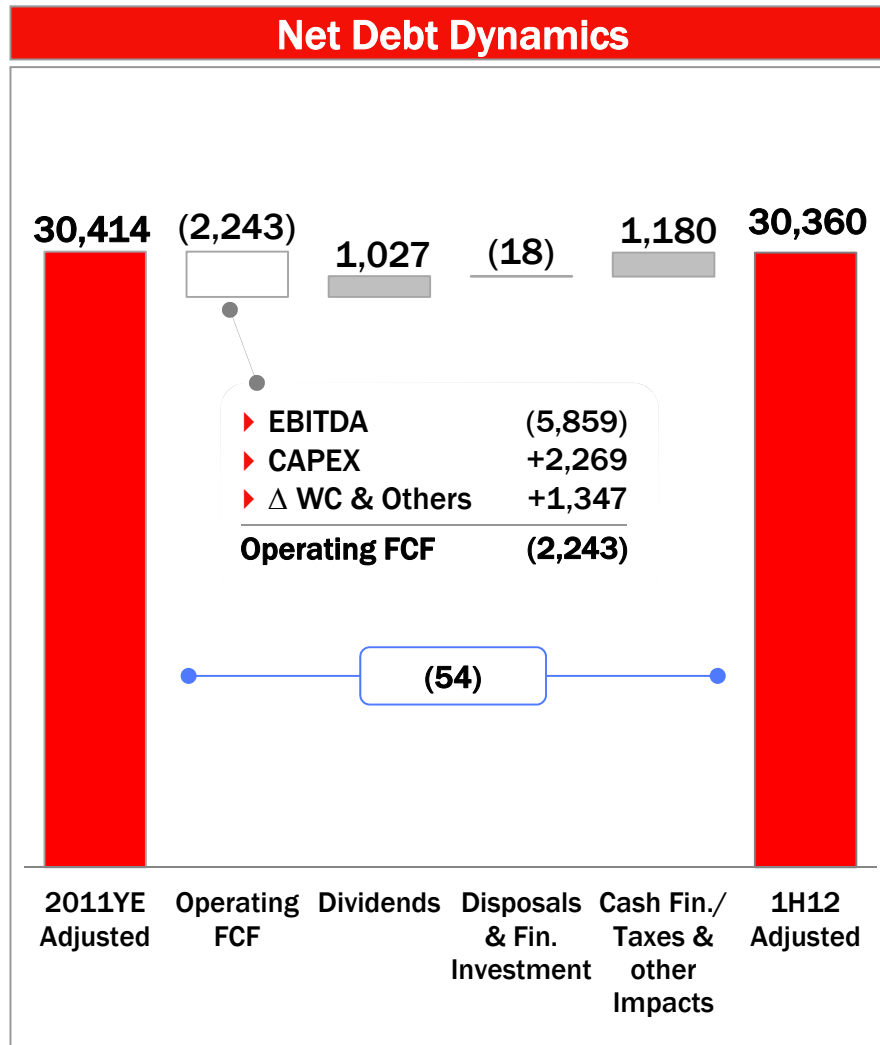
Free Cash Flow Generation Remains Strong

Euro mln, Reported Data



Net Debt Evolution

Euro mln, Reported Data

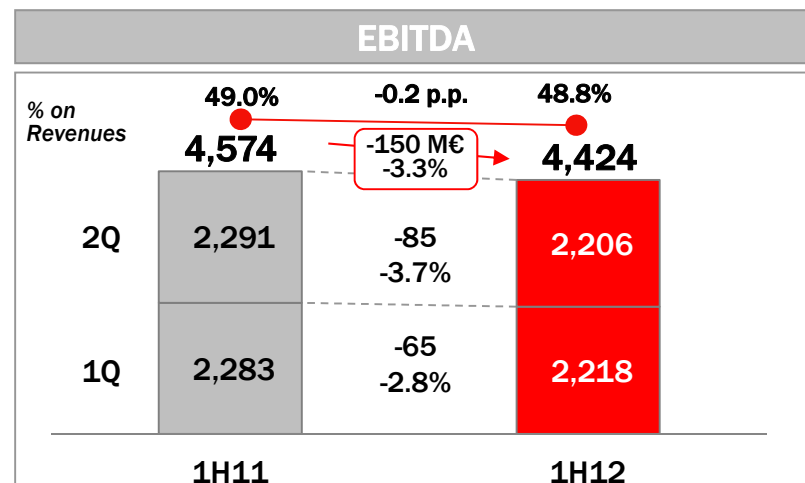
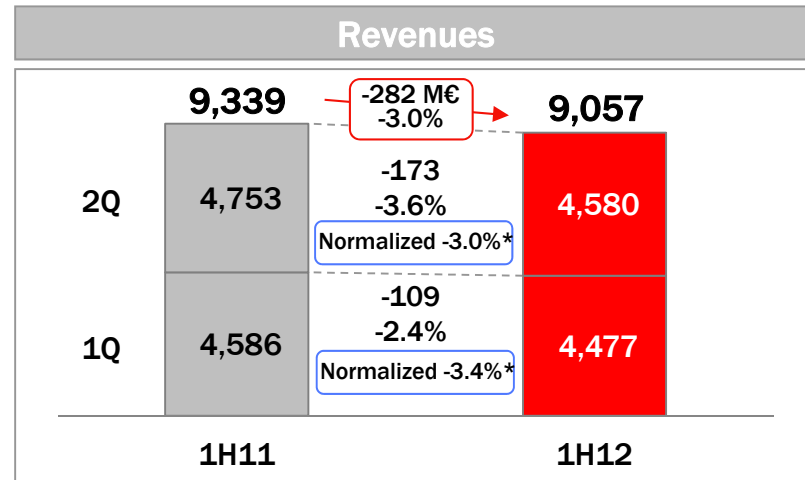


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Italy: Revenues & EBITDA Trends

Euro mln, Organic Data, YoY %



* Normalized data for bad weather and calendar discontinuity

Improvement in complex conditions

- ▶ Sound trend on a normalized basis: - 3.0% YoY in 2Q12 vs - 3.4% YoY in 1Q12, despite business segment results heavily impacted by macro context
- ▶ Fixed: Positive impact from Pricing Simplification; Retail Line Losses per Quarter reduced vs 1Q12. Retail Market Share defended (~66% vs ~67% 2Q11)
- ▶ Mobile: Customer Base increased by ~1 mln SIMs in the last 12 months with a stable percentage of calling base (~ 80%)

Value-driven focus on BB

- ▶ Fixed BB: growing retail ARPU both QoQ and YoY, while a substantially stable quality customer base (52% retail market share on accesses) supports TI's value strategy
- ▶ Smartphone penetration is moving towards 20% of consumer CB, while 70% of small screen users has a data package

Developing Innovation

- ▶ While FTTCab investments are proceeding in first main 30 cities, active clients with a SuperInternet offer are ~500K, indicating that our UBB offers can meet a real need

New EC Regulation: Stable Prices on Copper Access and a more suitable NGN Wholesale Pricing Environment

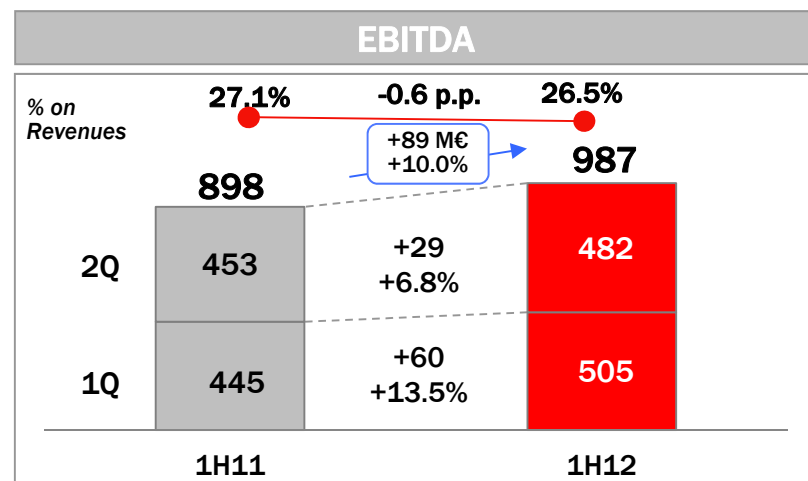
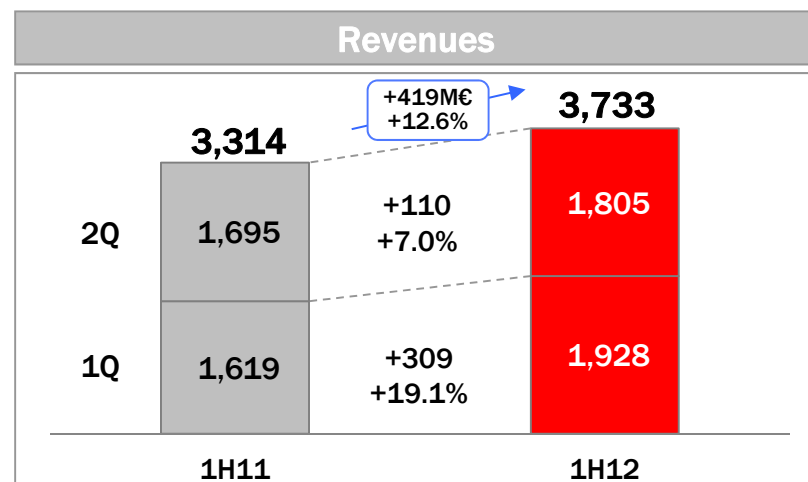
	Europe	Telecom Italia
Copper	<ul style="list-style-type: none"> ▶ The EC issued a clear statement of how it plans to regulate copper and fibre until 2020, in order to promote a consistent and stable framework in Europe ▶ According to the EC, copper unbundling prices in Europe could gradually converge (indicatively, in the ~9€/month area), with some differences in pricing allowed for single countries 	<ul style="list-style-type: none"> ▶ TI's wholesale copper service income will stabilize around its current LLU monthly fee at 9.28€/month, which is in line with the European average ▶ This will ensure full economic consistency with TI's 2012-14 Plan*
NGN	<p><u>«Technological Neutrality»</u></p> <p>The EC does not favour any specific technology to meet the digital agenda targets (e.g. no preference among FTTCab/FTTH, etc.)</p>	<p>TI's 2-step strategy on NGAN:</p> <ul style="list-style-type: none"> ▶ Step 1: FTTCab in 100 cities by 2014; 30 cities by 1H2013 ▶ Step 2: FTTH with a selective and market-driven approach
	<p><u>«Equivalence of Input» and NGN Wholesale Pricing»</u></p> <p>Non-discrimination Recommendation to ensure equivalence of access. Once the right conditions are imposed by Regulators (i.e. equivalence of input obligations and replicability tests), and where there is an adequate competitive context, EC proposes that NRAs do not need to apply cost orientation to NGA wholesale access services</p>	<ul style="list-style-type: none"> ▶ «Equivalence of output» already granted by TI for copper will also be implemented for NGAN, thanks to «Open Access» Undertakings (2008) ▶ «Equivalence of input» may be an alternative approach of higher complexity for specific wholesale services ▶ Removal of cost-oriented obligation: flexibility for NGAN wholesale pricing, in compliance with the margin squeeze test

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Brazil: Revenues & EBITDA Trends

Euro mln, Organic Data, YoY%



Size & Market

- ▶ TIM Brasil confirmed as #2 operator with around 69 million lines (about 1.7 million added in the Quarter)
- ▶ Market Share on Net Adds: 28.5% in June, 31.2% in 2Q12
- ▶ SAC/ARPU ratio declining by 6.7% YoY

Revenue Growth

- ▶ Sound Voice Outgoing Revenues trend, with double-digit growth in volume
- ▶ Growth on VAS revenues stands out in the forties (+40% YoY in 2Q), driven by continued smart/web phone penetration increase (now at ~35%, up from ~31% in 1Q12)
- ▶ VAS/ARPU ratio increasing QoQ and YoY. In 2Q12 Data Revenues reached 18.7% of gross mobile service revenues against 14.6% in 2Q11

Value Creation

- ▶ Consistent EBITDA performance: +10%YoY in the first half, in line with FY12 guidance; Service EBITDA margin stable YoY
- ▶ Solid OpFCF in the second quarter, at around 8% on Revenues

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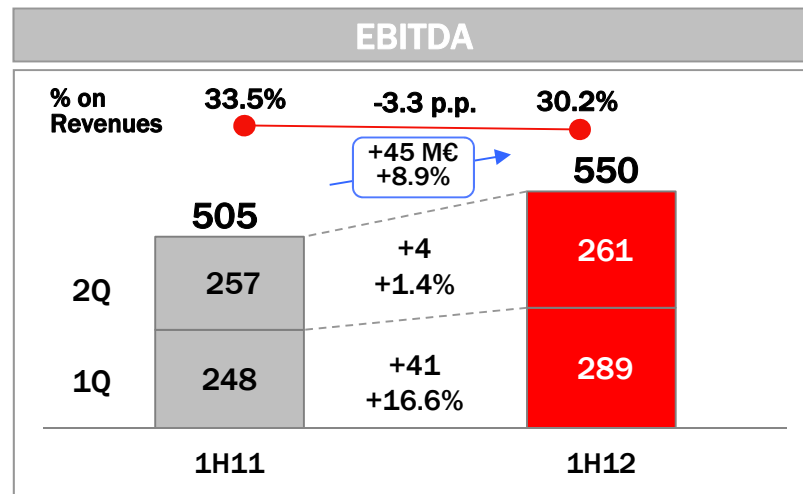
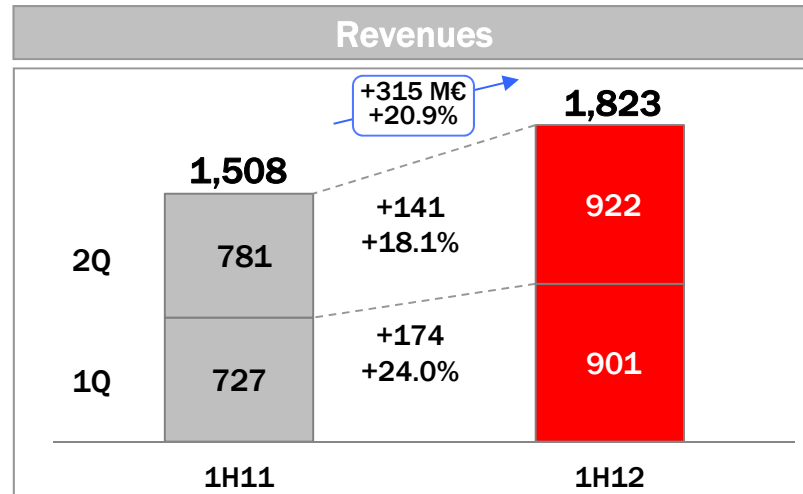
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Argentina: Revenues & EBITDA Trends

Euro mln, Organic Data, YoY%



Size

- ▶ #1 Mobile Operator in revenues share
- ▶ Sound growth in Mobile Market: @ 18.7 mln clients
- ▶ Fixed Business: still solid performance in BB net adds (around +30K vs 1Q12)

Revenue Growth

- ▶ Strong ARPU growth for Personal : +13% 1H12 vs 1H11
- ▶ Mobile Internet revenues up more than 80% YoY in 1H12
- ▶ Sound Broadband growth: +14% BB ARPU 1H12 vs 1H11
- ▶ Launch of cloud services for corporate ICT

Value Creation

- ▶ 1H12 EBITDA Growth +8.9% YoY; MNP implementation required stronger commercial efforts with a focus on high value acquisition and customer retention
- ▶ Sound EBITDA-Capex generation: +4.5% YoY

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Financial Position and Wrap-Up

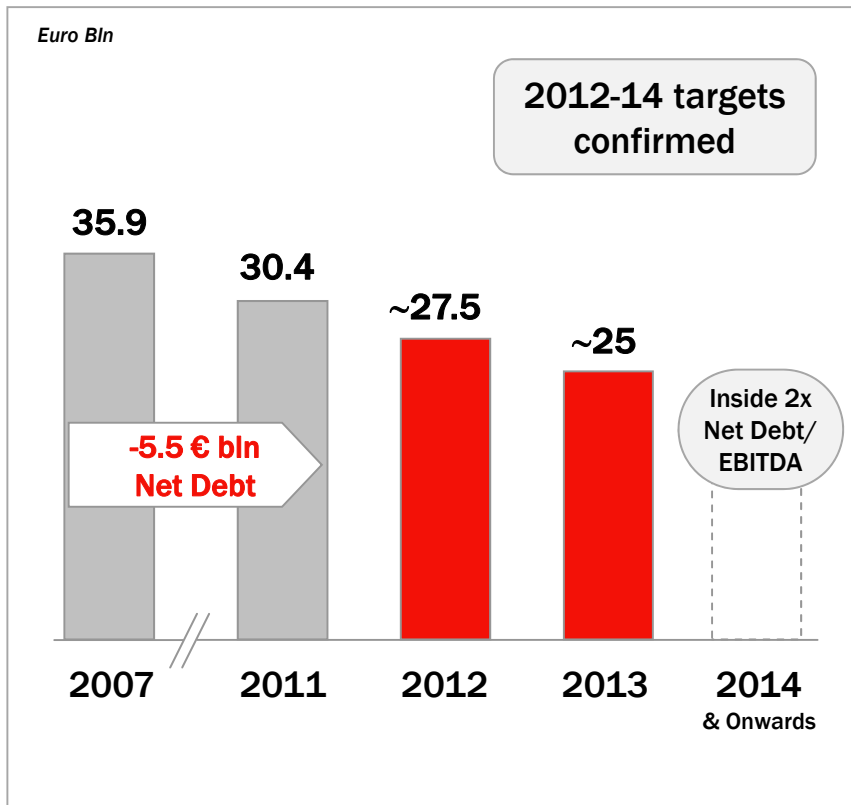
Cash Flow Generation on Track

- ▶ In excess of Euro 1bln 2Q12 Group Dividend net cash-out entirely financed from Operations
- ▶ 1H12 YoY lower Working Capital absorption according to FY target and recovering from 1Q12 trend
- ▶ TI Media disposal progressing
- ▶ Domestic MTR >50% cut to be broadly neutralized on an EBITDA level
- ▶ Latam to continue operating on a self-financed basis

Ongoing Liquidity Efficiently Ensured

- ▶ Portion of Euro 4bln in Flagship Bank Facility extended until 2017, more than fully covering funded 2014 bank maturities well in advance
- ▶ Euro 1.5bln Bonds recently issued in line with Group's average 5.4% cost of funding
- ▶ About Euro 800mln short-maturity Bonds bought-back yield future interest cost savings

Deleverage to Proceeds according to Plan *



Current Dividend Confirmed as Floor for '12-'14

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Telecom Italia Group – FY 2012 and 2012-14 Plan Key Guidance

Organic Data*

TI Group – FY 2012 Key Guidance	
Revenues	Stable
EBITDA	Broadly Stable
NFP Adj.**	~ 27.5 € bln

Organic Data*

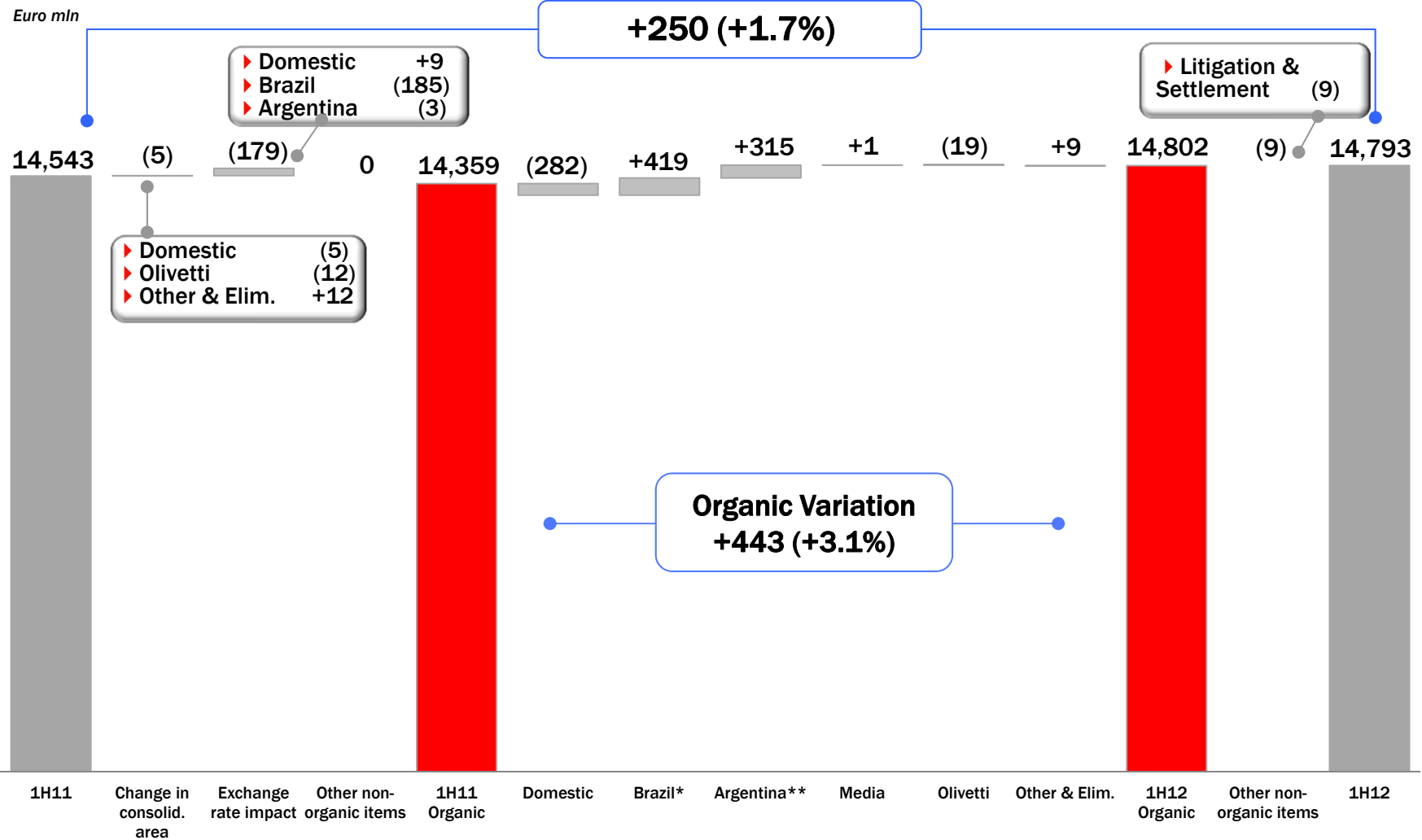
TI Group – 2012-14 Plan Key Guidance **	
EBITDA-Capex cum '12-'14	>22 € bln
Capex cum '12-'14	>15 € bln
NFP Adj. 2012-'14	FY 2012: ~ 27.5 € bln FY 2013: ~ 25 € bln From FY 2014: < 2x Net Debt/EBITDA ***

*exchange rates 2011 (R\$/€ 2.33; ARS/€5.74), excluding impact from non-organic items

** excluding Latam spectrum licences

*** reported figure

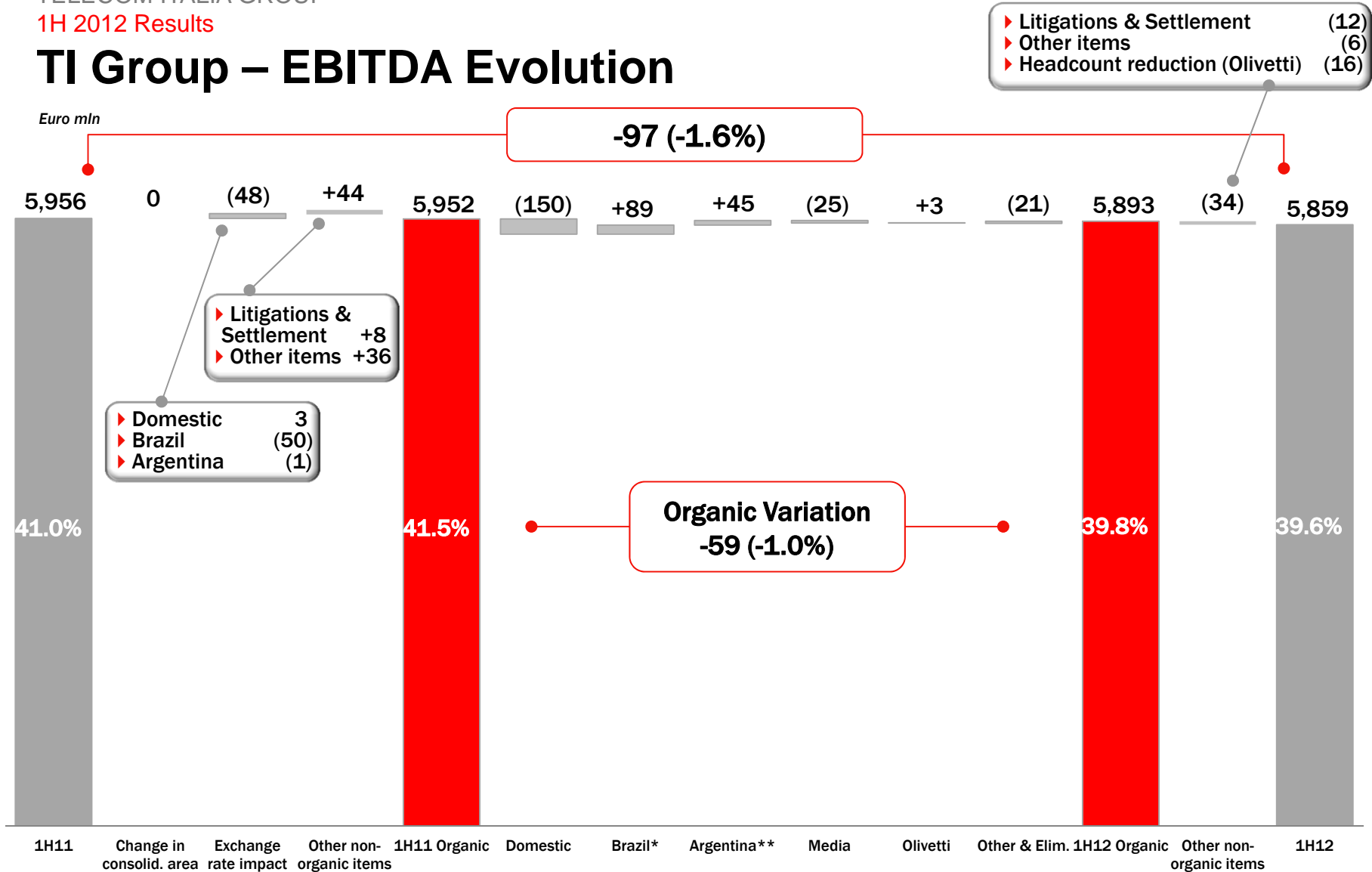
TI Group – Revenues Evolution



* Average Exchange rate (Real/Euro): 2.42 in 2012, 2.29 in 2011

** Average Exchange rate (Peso/Euro): 5.69 in 2012, 5.68 in 2011

TI Group – EBITDA Evolution

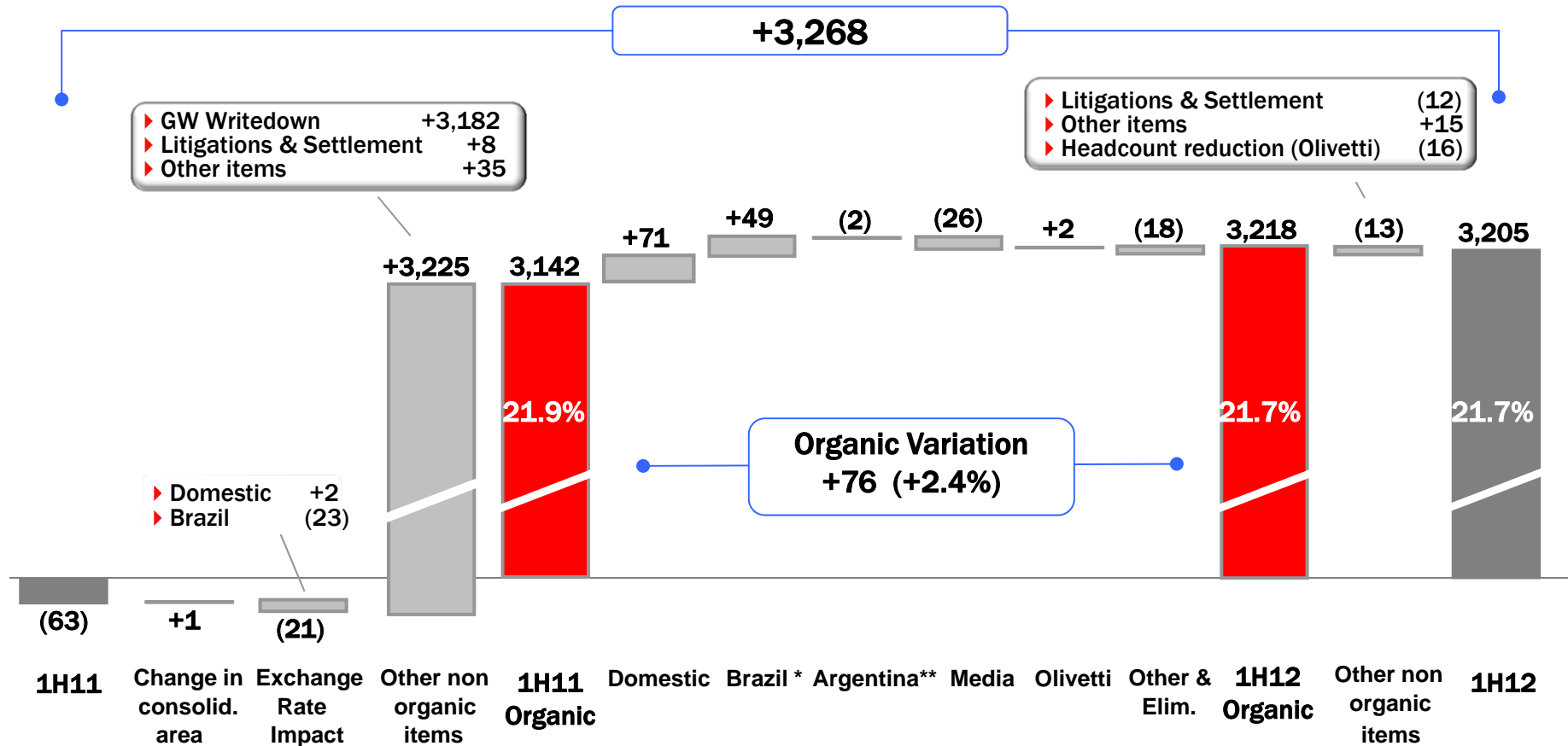


* Average Exchange rate (Real/Euro): 2.42 in 2012, 2.29 in 2011

** Average Exchange rate (Peso/Euro): 5.69 in 2012, 5.68 in 2011

TI Group – Ebit Evolution

Euro mln



* Average Exchange rate (Real/Euro): 2.42 in 2012, 2.29 in 2011

** Average Exchange rate (Peso/Euro): 5.69 in 2012, 5.68 in 2011

Robust Liquidity Margin and Well-Distributed Debt Maturities

Euro mln



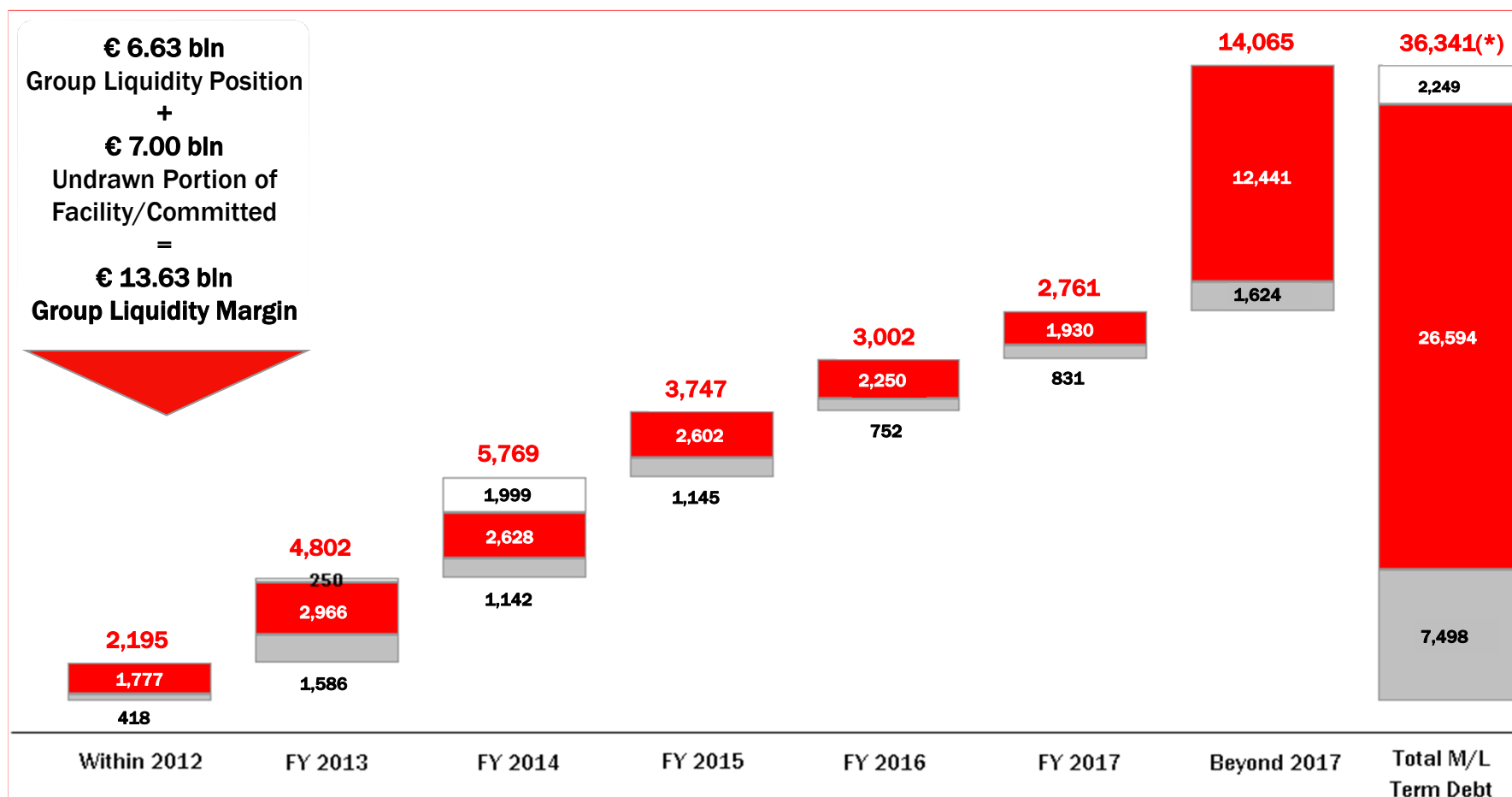
Bonds



Loans (of which long-term rent, financial and operating lease payable € 1,460)



Drawn bank facility

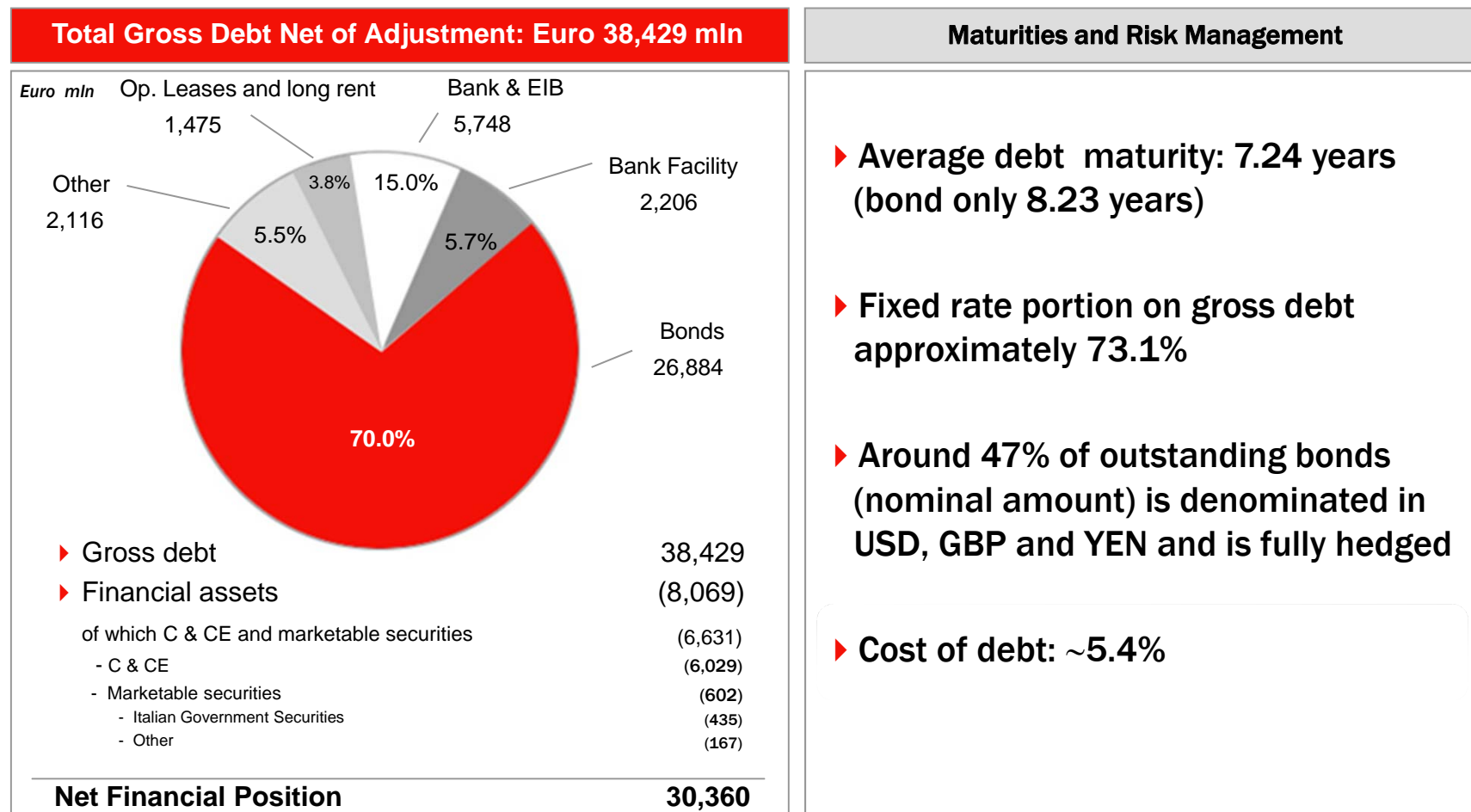


(*) € 36.341 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 1.183 mln) and current liabilities (€ 905 mln), the gross debt figure of € 38.429 mln is reached.

N.B. Debt maturities are net of € 469 mln (face value) of repurchased own bonds (of which € 254 mln related to bonds due in the next 24 months).

N.B. Debt maturities "Within 2012" including € 777 mln (face value) of repurchased own bonds occurred in July 2012 originally due in 2013 (€ 445 mln) and 2014 (€ 332 mln).

Well Diversified and Hedged Debt



N.B. The figures are net of the adjustment due to the fair value measurement of derivatives and related financial liabilities/assets, as follows:

- the impact on Gross Financial Debt is equal to 2,580 €/mln (of which 704 €/mln on bonds)

- the impact on Financial Assets is equal to 2,155 €/mln

Therefore, the Net Financial Indebtedness is adjusted by 425 €/mln.

TI Group 1H12 Results - P&L

Euro mln – Reported Data

	I Half			
	2012	2011	Δ Abs.	Δ %
REVENUES	14,793	14,543	250	1.7%
Other Operating Income	108	108		
TOTAL REVENUES & OTHER INCOME	14,901	14,651	250	1.7%
Total Purchases of materials and external services	-6,500	-6,232	-268	
Personnel	-2,006	-1,986	-20	
of which payroll	-1,965	-1,951	-14	
Other operating costs	-897	-843	-54	
Capitalized Cost and Others	361	366	-5	
EBITDA	5,859	5,956	-97	-1.6%
<i>% on Revenues</i>	39.6%	41.0%		
Depreciation & Amortization	-2,670	-2,834	164	
Writedowns and revaluations of non current assets		-3,182	3,182	
Gains/losses of non current assets realization	16	-3	19	
EBIT	3,205	-63	3,268	
<i>% on Revenues</i>	21.7%	-0.4%		
Income (loss) equity invest. valued equity method	-4	-12	8	
Other income (expenses) from investments		15	-15	
Net Financial Income / (Expenses)	-917	-981	64	
Income before Taxes & Disc. Ops.	2,284	-1,041	3,325	
<i>% on Revenues</i>	15.4%	-7.2%		
Taxes	-824	-769	-55	
Income before Disc. Ops.	1,460	-1,810	3,270	
Net income (loss) of assets disposed	0	-11	11	
Net Income (ante Minorities)	1,460	-1,821	3,281	
<i>% on Revenues</i>	9.9%	-12.5%		
Minorities	-215	-221	6	
Net Income (post Minorities)	1,245	-2,042	3,287	
<i>% on Revenues</i>	8.4%	-14.0%		

TI Group 1H12 – Main Results by BU

Euro mln

Reported	I Half			
	2012	2011	Δ Abs.	Δ %
REVENUES				
Domestic	9,048	9,335	-287	(3.1)
Wireline Domestic	6,468	6,664	-196	(2.9)
Tim Domestic	3,376	3,496	-120	(3.4)
Brazil	3,733	3,499	234	6.7
Argentina	1,823	1,511	312	20.6
Media	119	118	1	0.8
Olivetti	130	161	-31	(19.3)
Other Activities & Elim.	-60	-81	21	-
TI Group	14,793	14,543	250	1.7

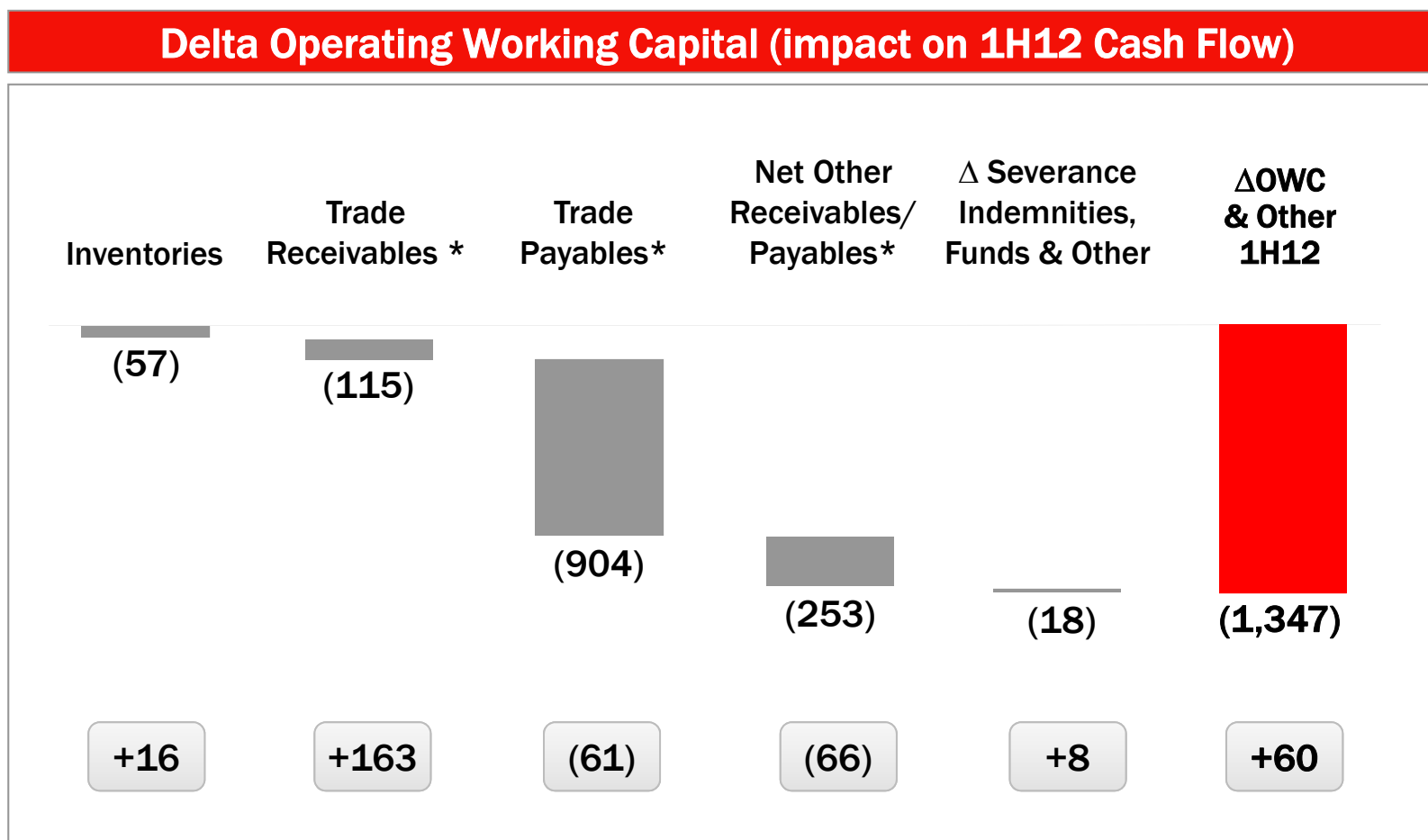
	I Half			
	2012	2011	Δ Abs.	Δ %
EBITDA				
Domestic	4,406	4,527	-121	(2.7)
Brazil	987	948	39	4.1
Argentina	550	506	44	8.7
Media	-16	9	-25	-
Olivetti	-38	-25	-13	(52.0)
Other Activities & Elim.	-30	9	-21	-
TI Group	5,859	5,956	-97	(1.6)
EBITDA MARGIN	39.6%	41.0%	-1.4 pp	

Organic	I Half			
	2012	2011	Δ Abs.	Δ %
REVENUES				
Domestic	9,057	9,339	-282	(3.0)
Wireline Domestic	6,477	6,668	-191	(2.9)
Tim Domestic	3,376	3,496	-120	(3.4)
Brazil	3,733	3,314	419	12.6
Argentina	1,823	1,508	315	20.9
Media	119	118	1	0.8
Olivetti	130	149	-19	(12.8)
Other Activities & Elim.	-60	-69	9	-
TI Group	14,802	14,359	443	3.1

	I Half			
	2012	2011	Δ Abs.	Δ %
EBITDA				
Domestic	4,424	4,574	-150	(3.3)
Brazil	987	898	89	10.0
Argentina	550	505	45	8.9
Media	-16	9	-25	-
Olivetti	-22	-25	3	12.0
Other Activities & Elim.	-30	-9	-21	-
TI Group	5,893	5,952	-59	(1.0)
EBITDA MARGIN	39.8%	41.5%	-1.7 pp	

Focus on Delta Operating Working Capital

Euro mln, Reported Data



Change* vs 1H11

*Net of the effect of settlement with OLO