

TELECOM ITALIA GROUP

Full-Year 2012 Preliminary Results and 2013-15 Plan Outline

February 8th, 2013

Telecom Italia Group Full-Year 2012 Preliminary Results and 2013-15 Plan Outline

FRANCO BERNABE' - PIERGIORGIO PELUSO



Safe Harbour

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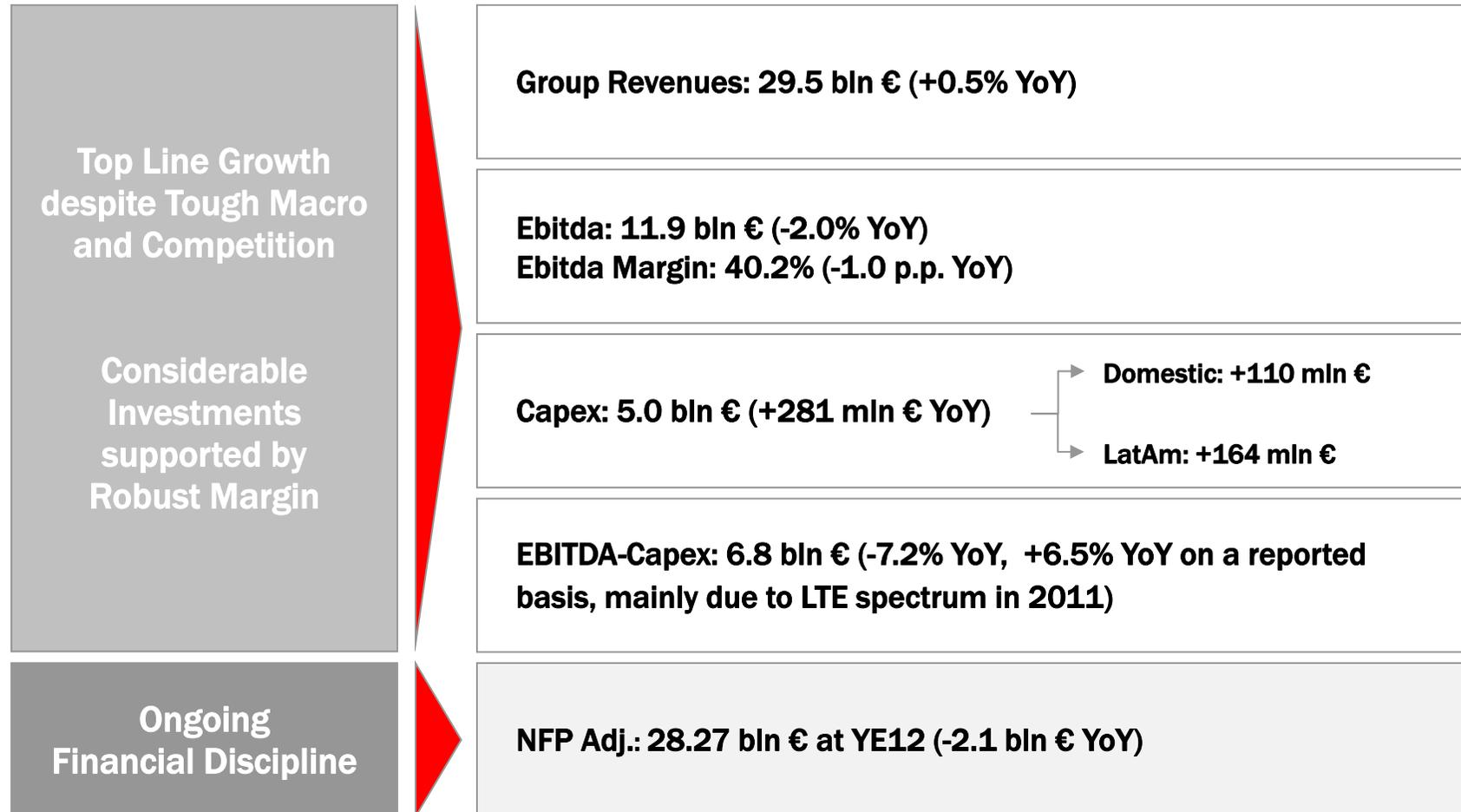
Some data for the 2011 financial year used in comparisons included into this presentation are restated as a result of the early adoption of the revised IAS 19 (Employee Benefits) version and the reclassification of Matrix from the Business Unit Domestic-Core Domestic to the Business Unit Other Activities.

Agenda

- ▶ **TI Group 2012 Preliminary Results**
- ▶ **Telecom Italia Plan Key Actions**
- ▶ **Financial Evolution**
- ▶ **Appendix**

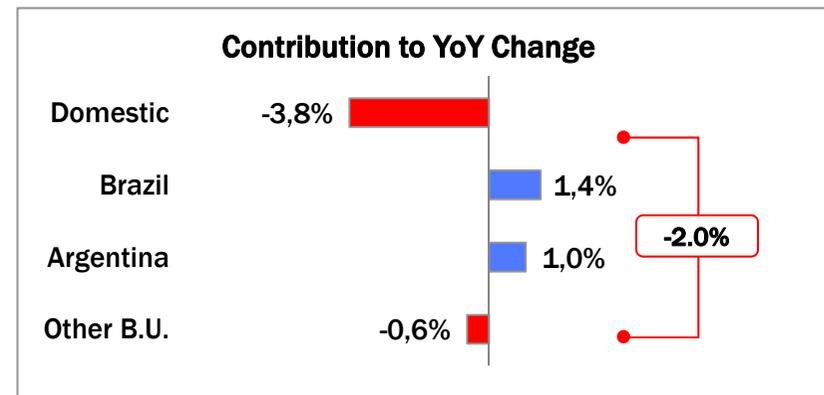
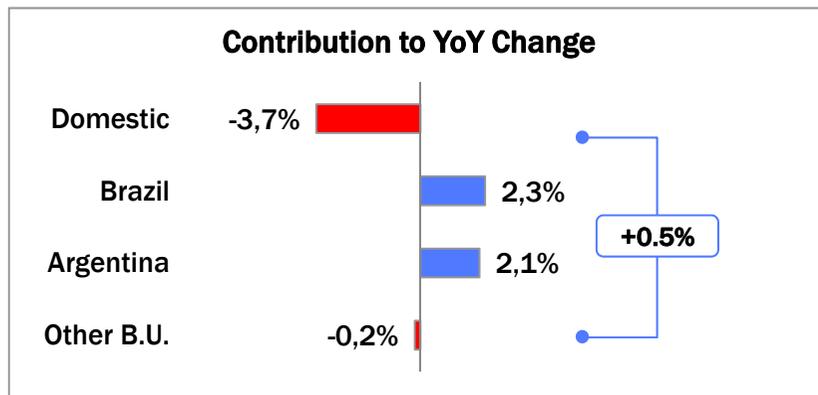
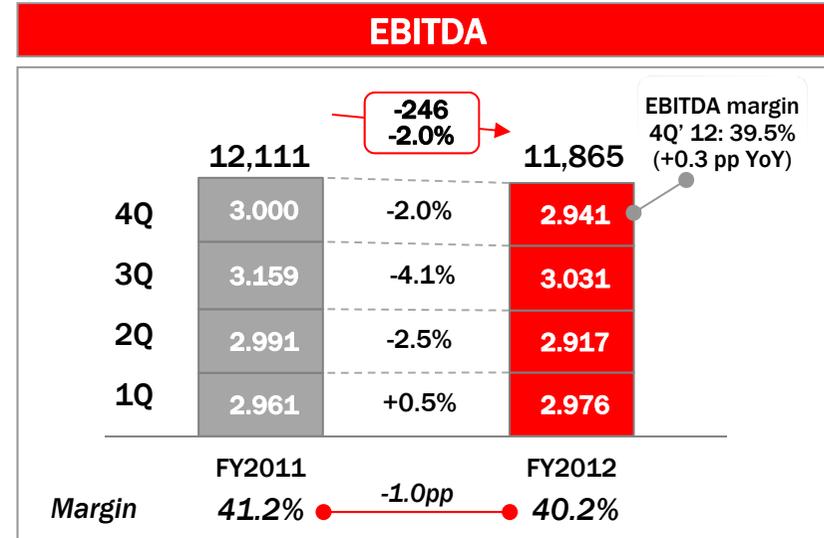
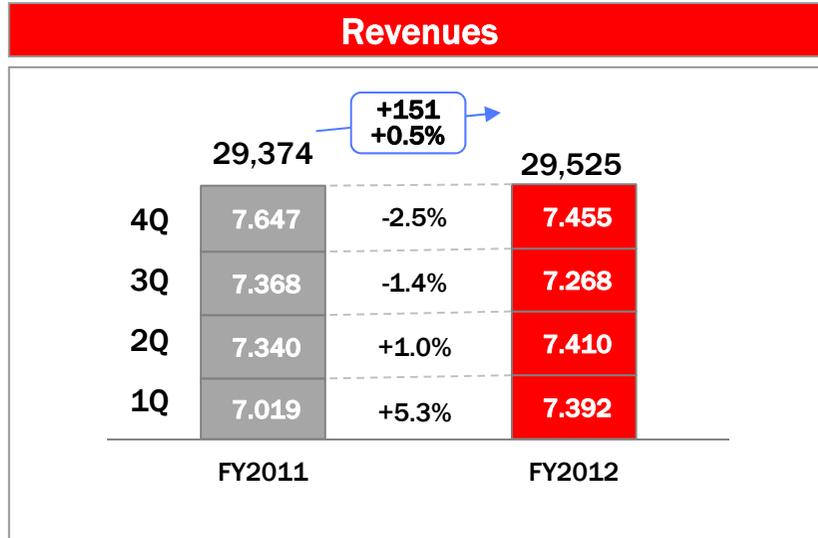
Full Year 2012 in Line with Group Targets

Organic Data



TI Group 2012 Revenues and Ebitda by Quarters

Organic Data, Euro mln



Combining High Profitability with Growth

Euro mln, Organic Data

	TI Group		Domestic		LatAm		
	FY 2012	Δ% yoy	FY 2012	Δ% yoy	FY 2012	Δ% yoy	
Revenues	29,525	+0.5%	17,906	-5.8%	11,261	+12.9%	38%
EBITDA	11,865	-2.0%	8,829	-4.9%	3,153	+9.9%	27%
EBITDA margin	40.2%	-1.0pp	49.3%	+0.4pp	28.0%	-0.8pp	
EBITDA - Capex	6,820	-7.2%	5,757	-9.0%	1,247	+10.5%	18%

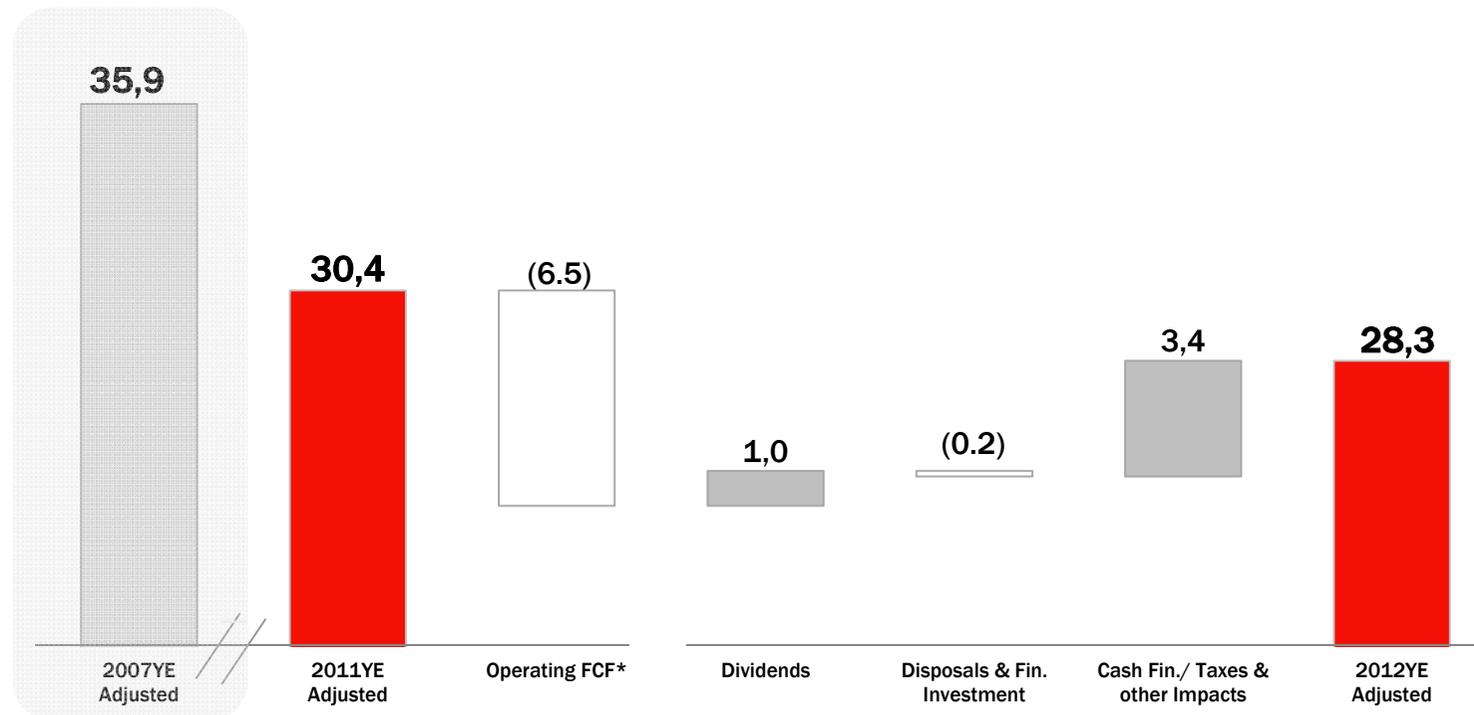
Profitability: leading performance in Europe

Engine of Growth for the Group

Net Financial Debt Evolution

Euro Bln

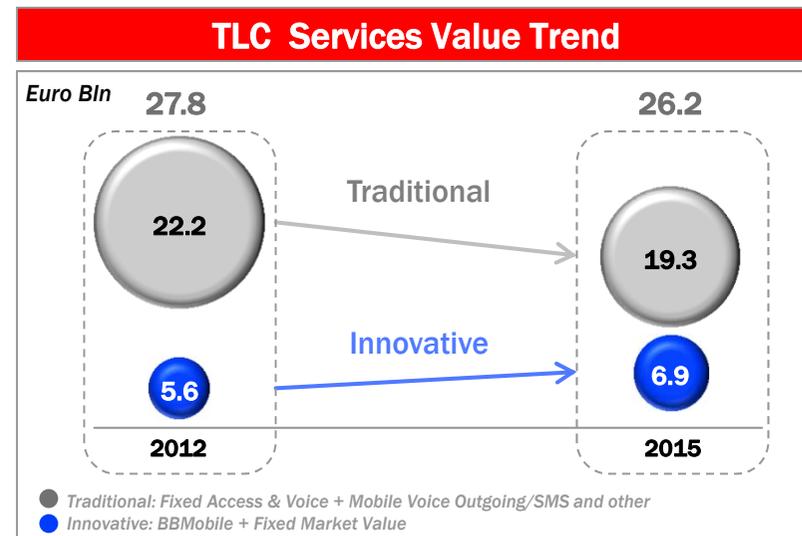
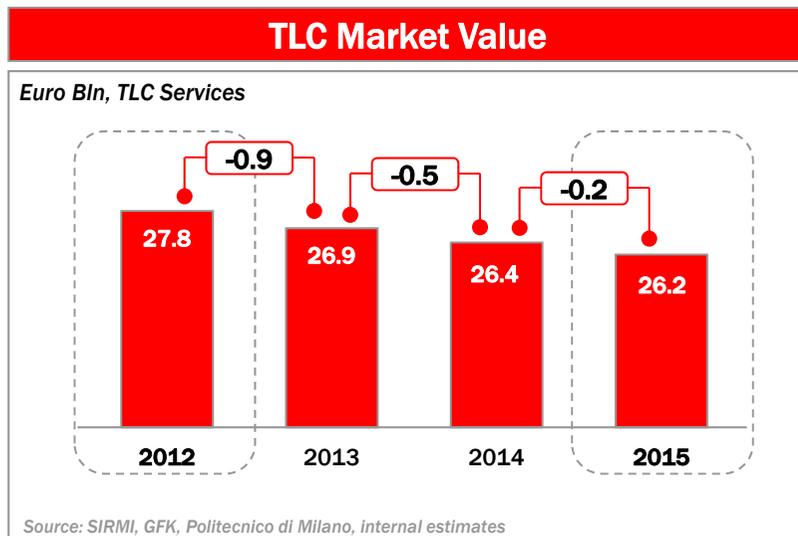
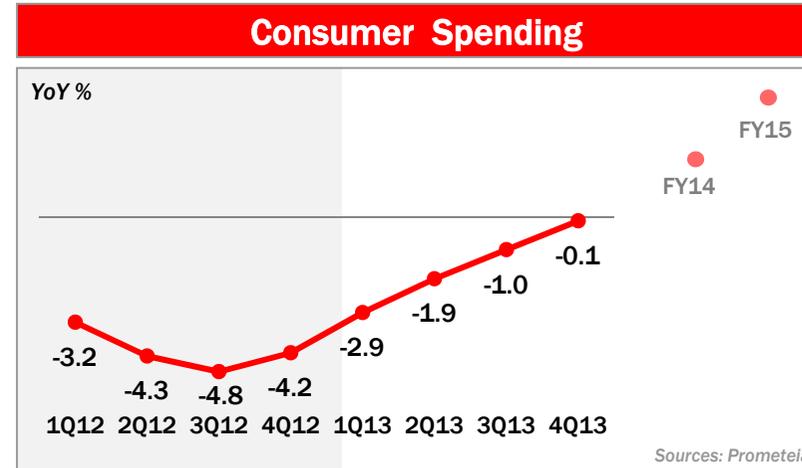
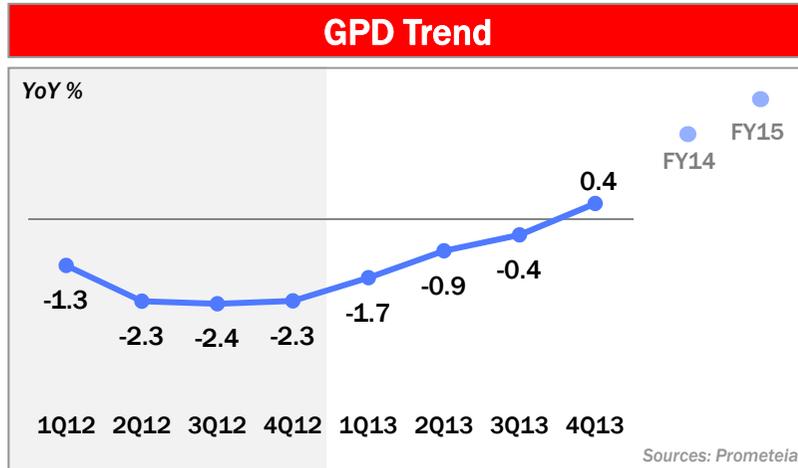
NFP Adjusted vs Year End 2011



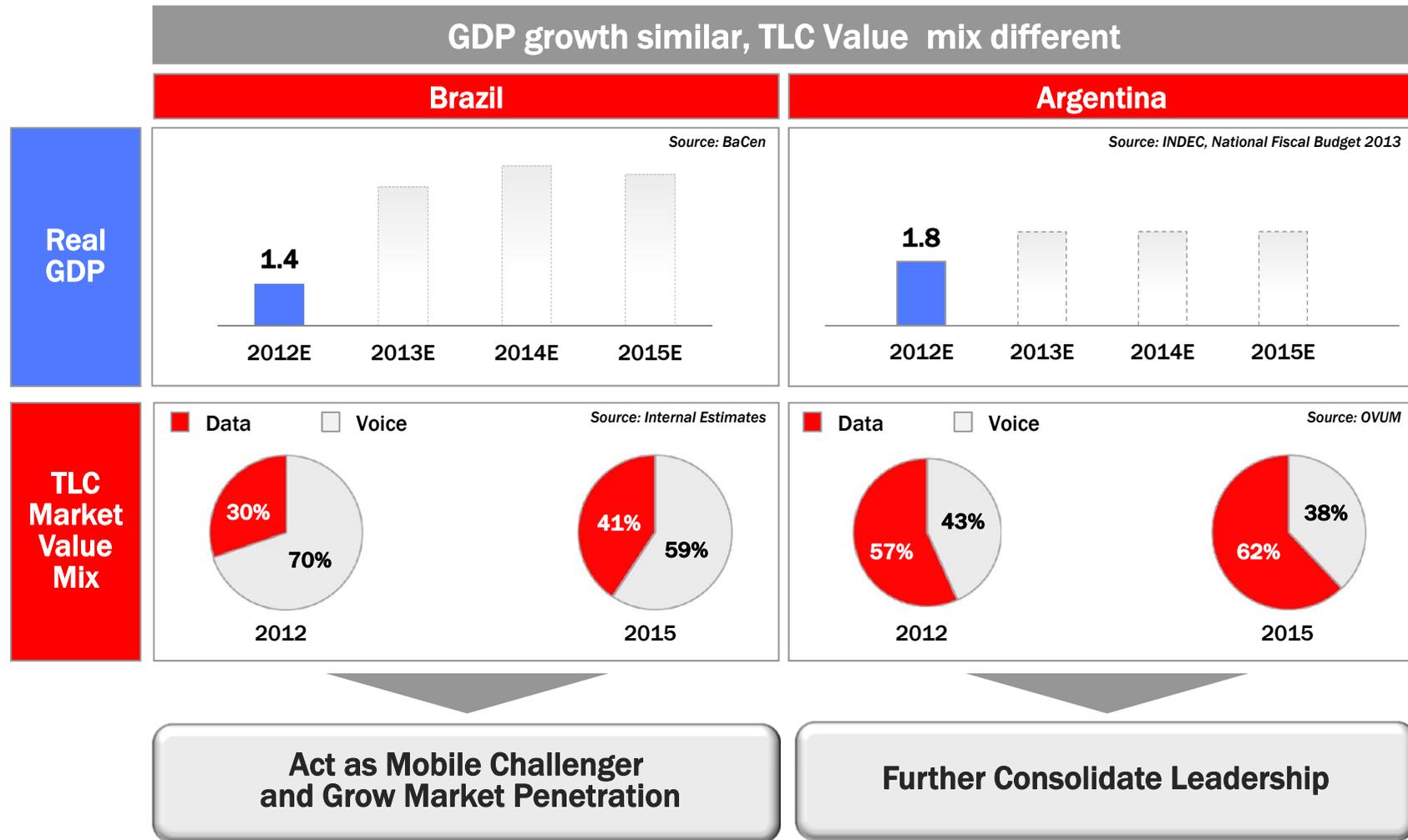
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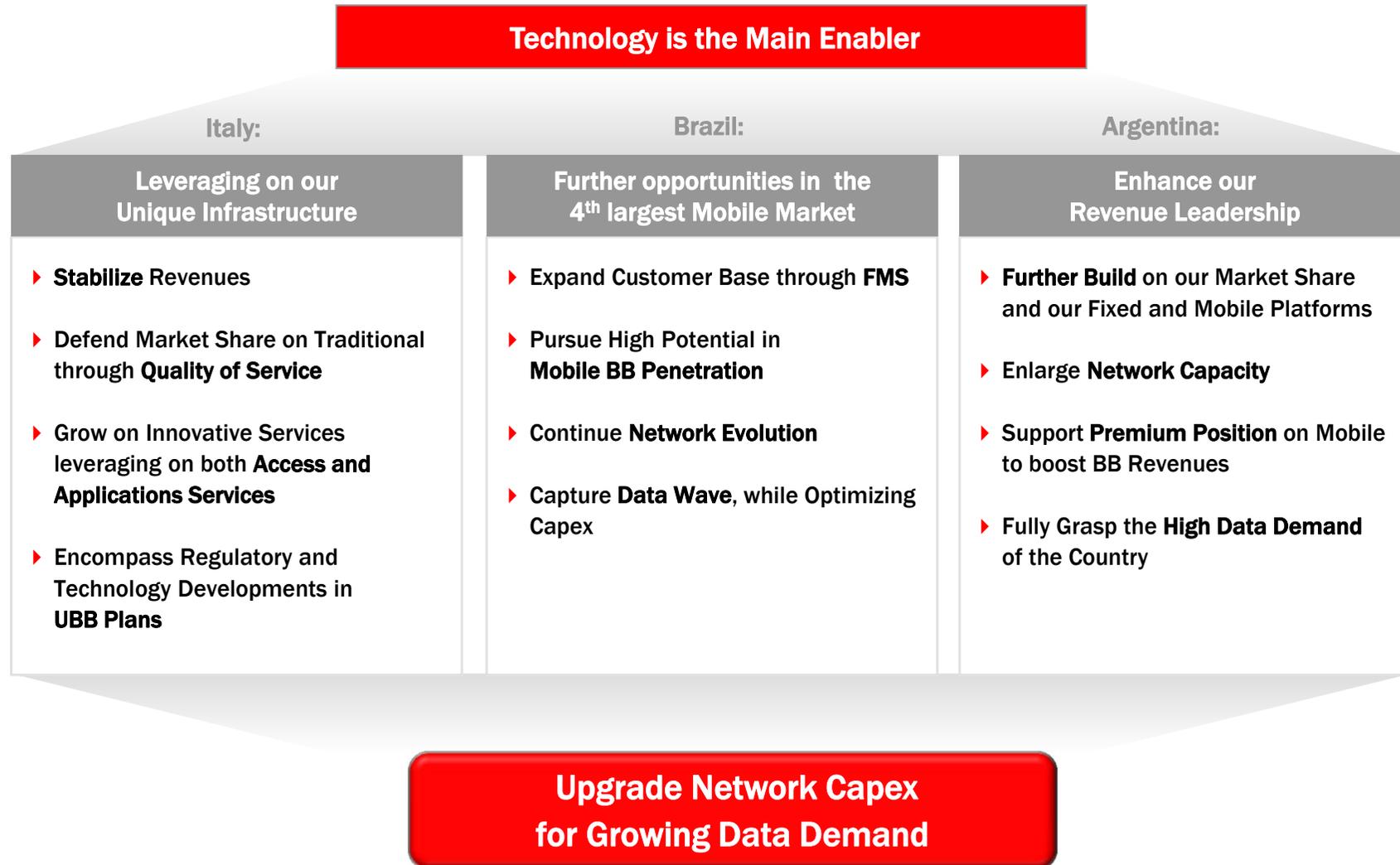
Key Economic and Industry Trends - Italy



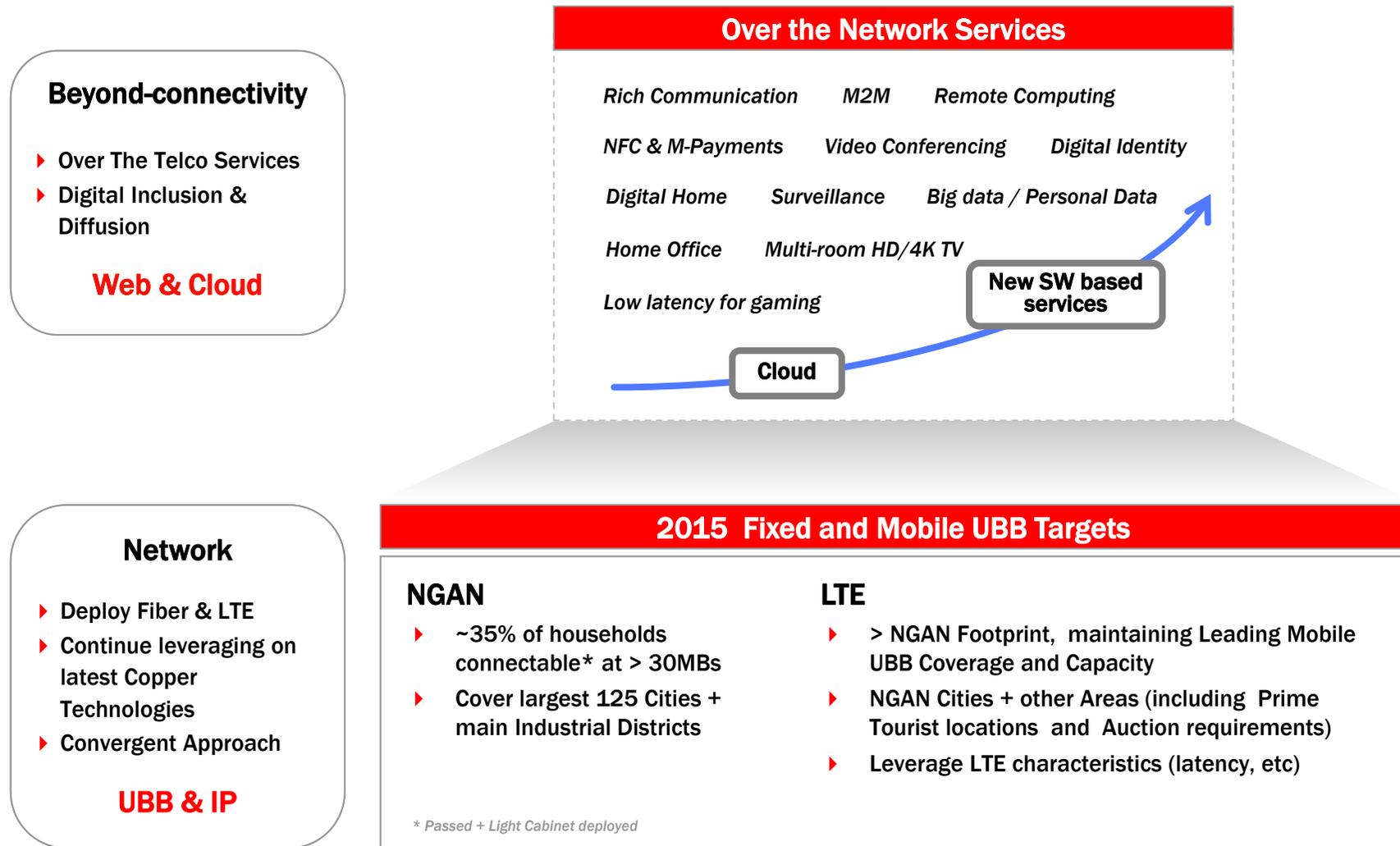
Key Economic and Industry Trends - LatAm



2013-15: Pervasive Innovation in all Countries & Services

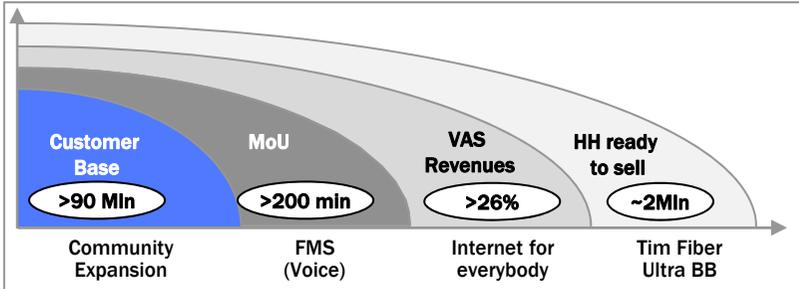


Domestic UBB Plan: Reshape the Value of Access

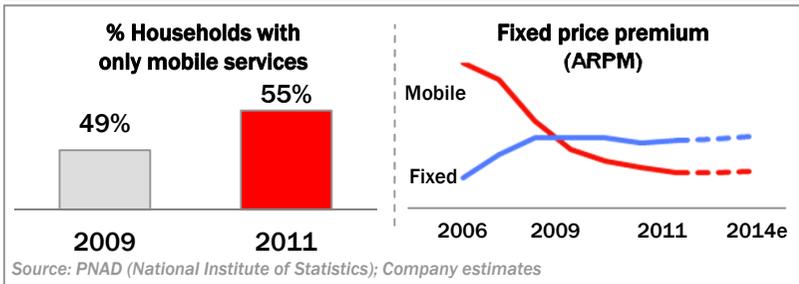


Mobile 2G/3G/4G in Brasil

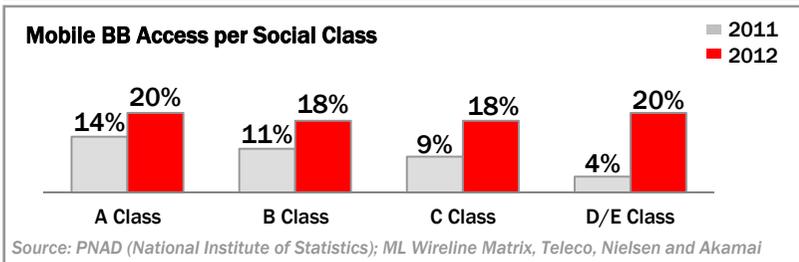
Brazil: 2015 Targets Lead the Internet Wave



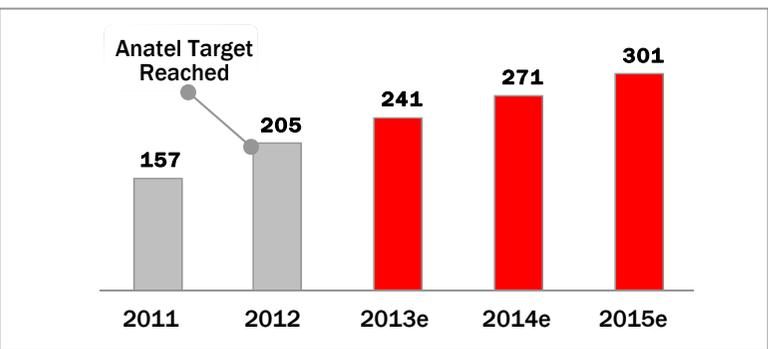
Fixed Mobile Substitution for Voice



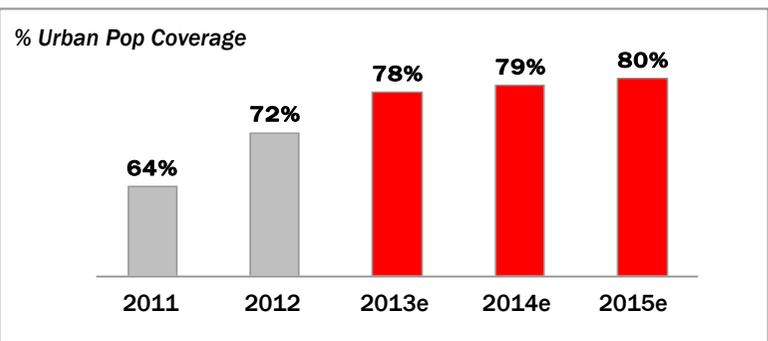
Mobile Opportunities on Broadband



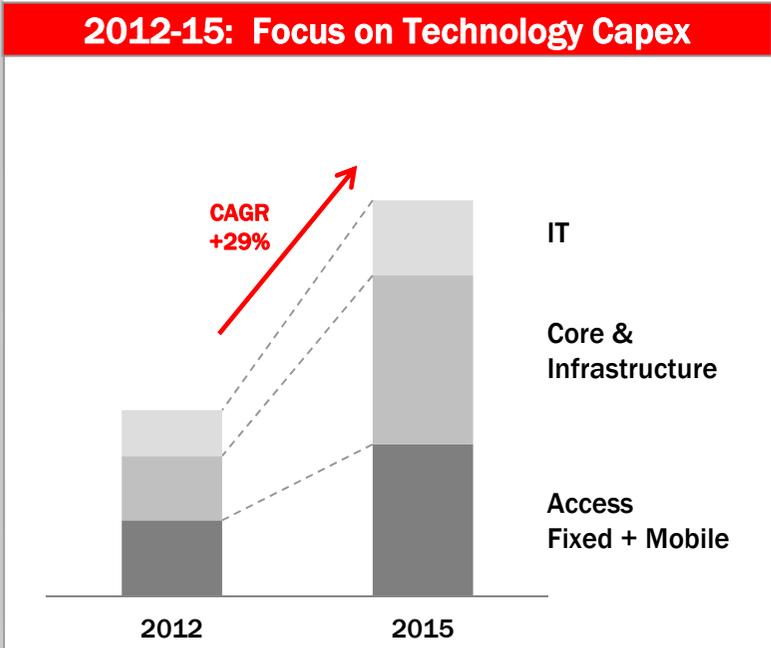
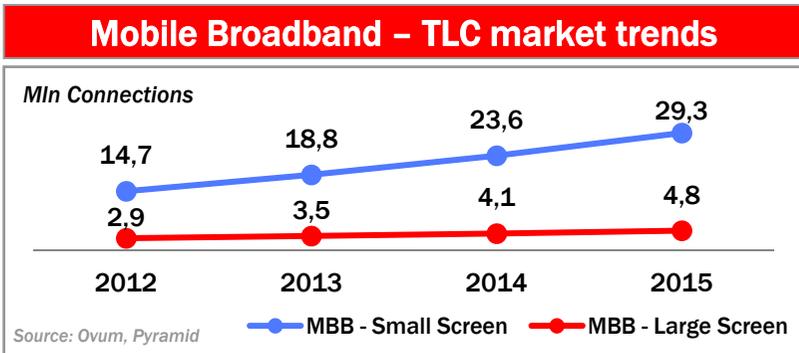
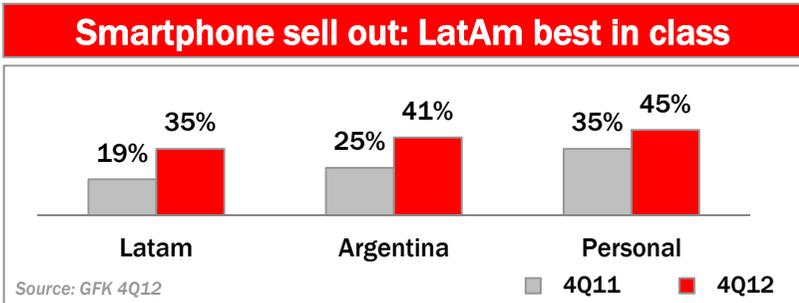
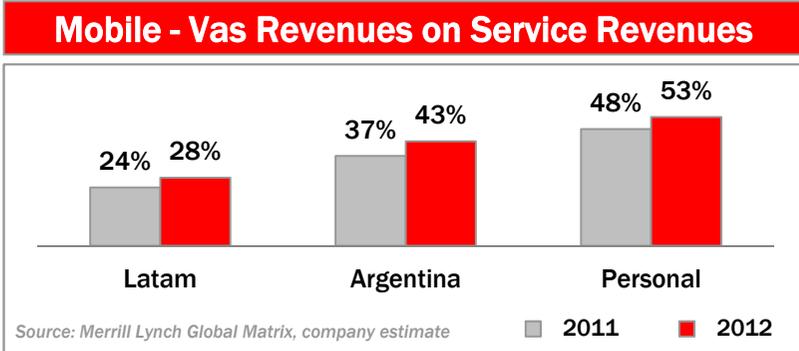
2G Expansion: TRX



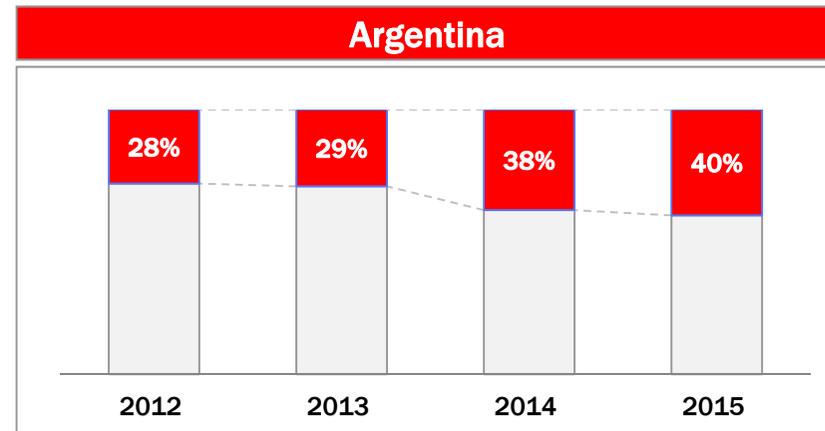
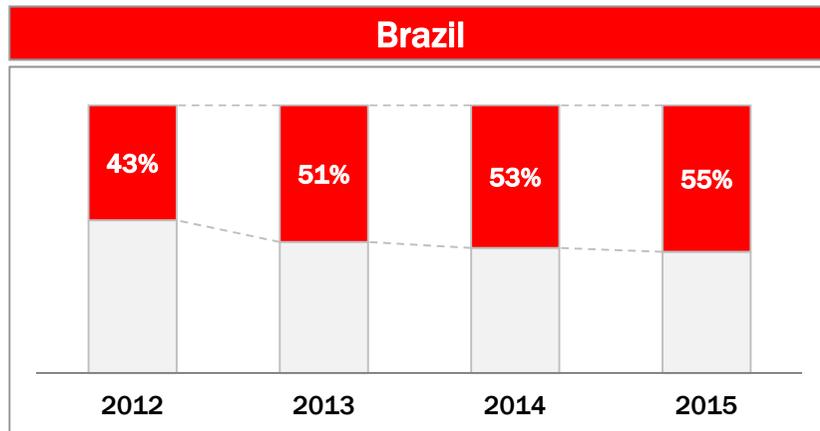
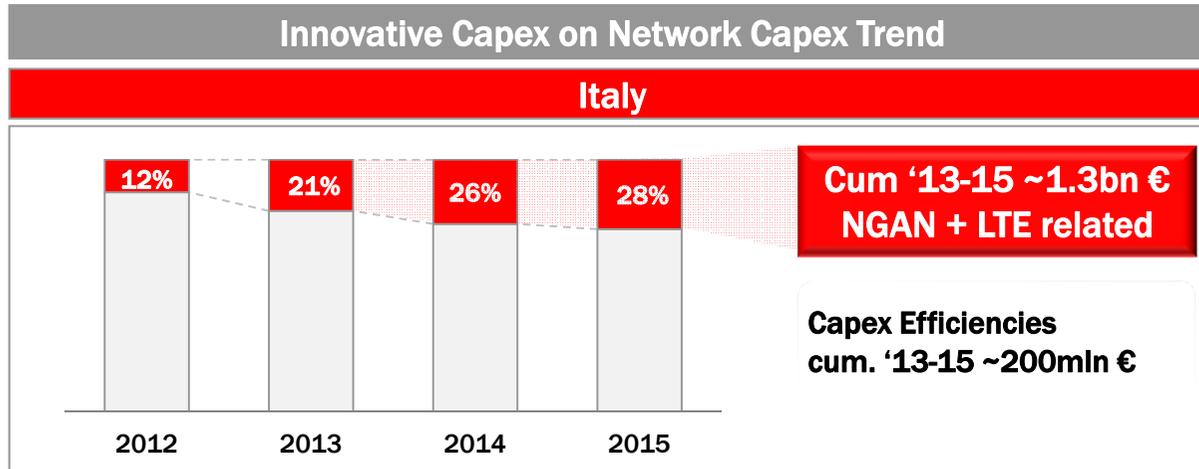
3G/HSDPA Roll Out



Argentina: Retain Leadership



Increase Fixed and Mobile UBB Investments



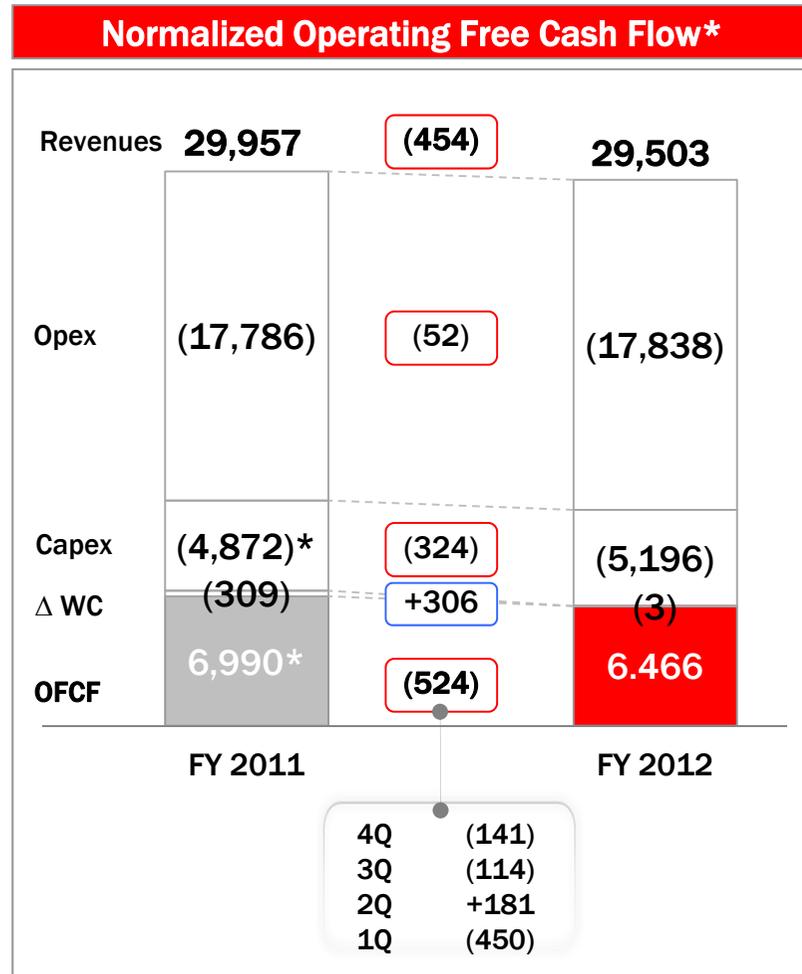
■ Innovative ■ Traditional

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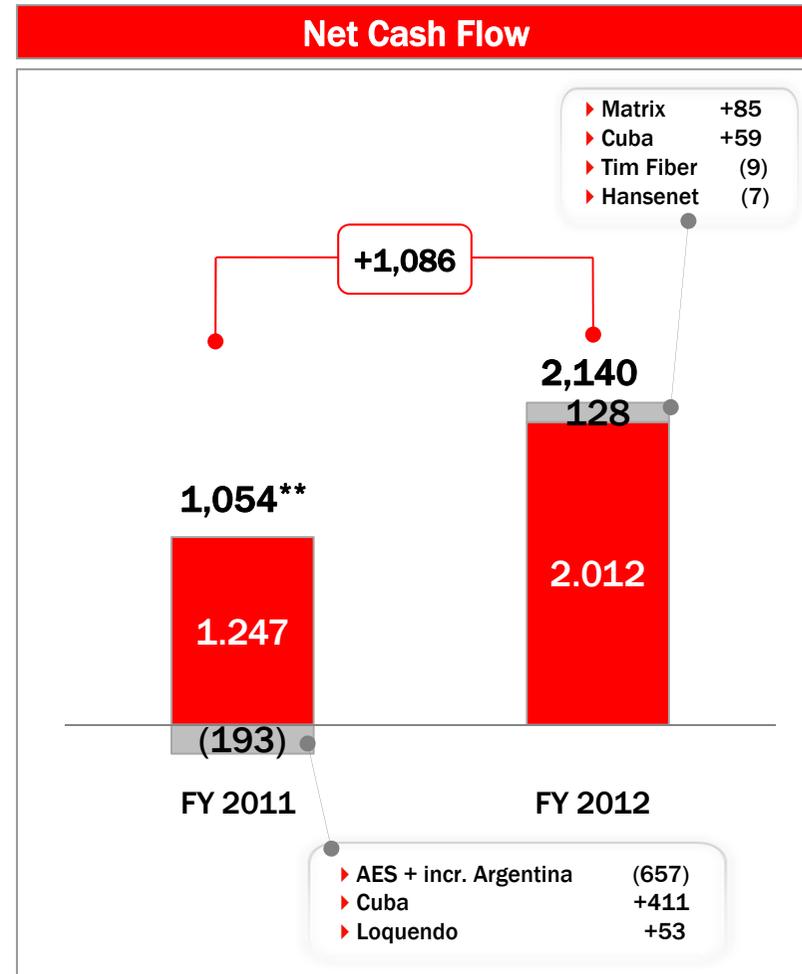
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Telecom Italia Today: a Strong Cash Generator

Euro mln, Reported Data



*excluding 2011 LTE licence (1,223mln €)

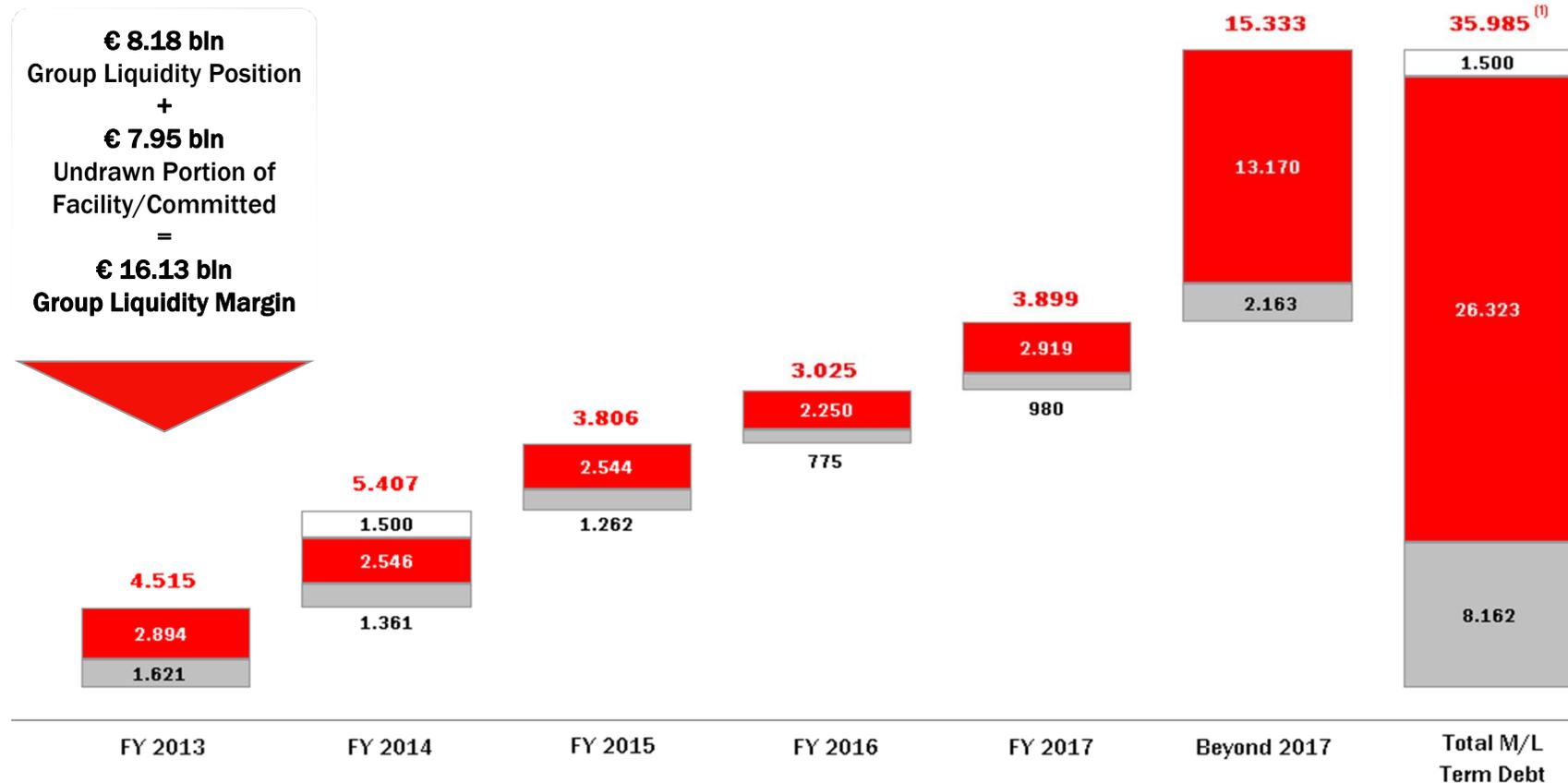


** including 2011 LTE licence (1,223mln €)

Current Debt Profile

Euro mln

Bonds
 Loans (of which long-term rent, financial and operating lease payable € 1,364)
 Drawn bank facility



(1) € 35.985 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 1.054 mln) and current liabilities (€ 643 mln), the gross debt figure of € 37.681 mln is reached.

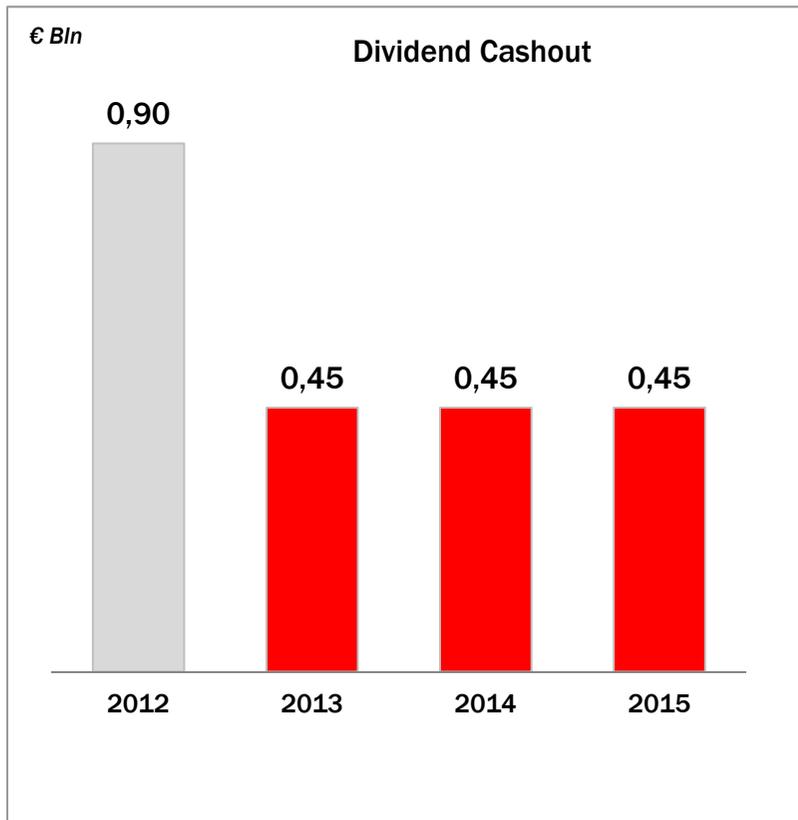
N.B. Debt maturities are net of € 1.246 mln (face value) of repurchased own bonds (of which € 1.031 mln related to bonds due in the next 24 months).

Broaden Efficiency Plan

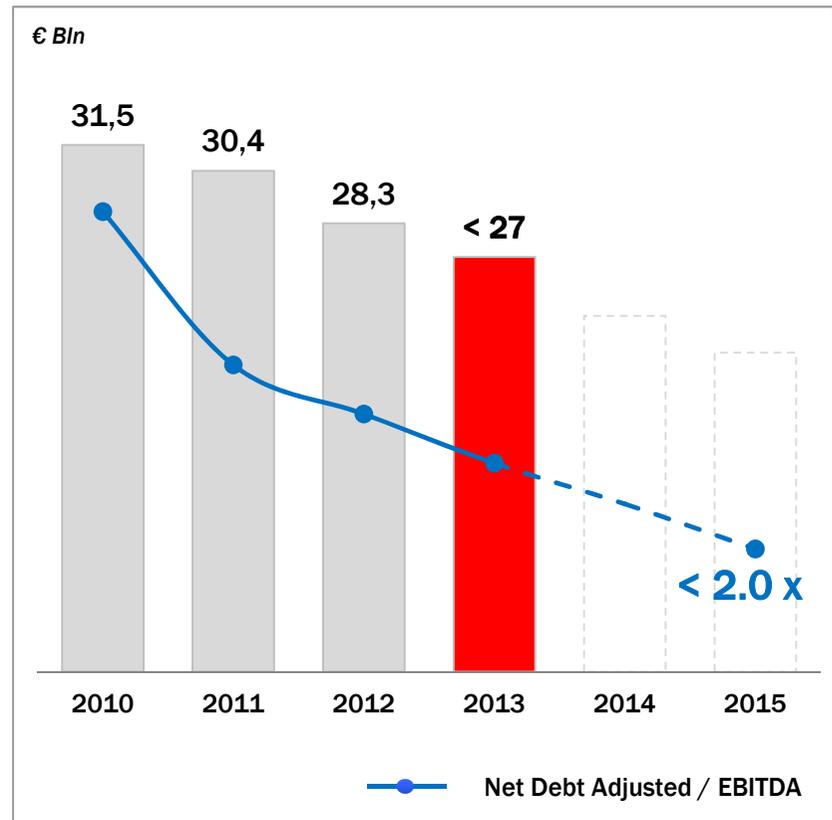
Further Cost Efficiencies in Italy		<ul style="list-style-type: none">▶ Customer Care Operations▶ Integration of Business & ToP Clients BUs▶ Real Estate, Energy & Industrial▶ Capex Efficiencies and Optimisation
Implement Efficiencies also in Latam	Brazil	<ul style="list-style-type: none">▶ One Single Network▶ Leased Lines Opex Reduction▶ Proprietary Fiber Metro Network for Backhauling▶ 4G RAN Infrastructure Sharing
	Argentina	<ul style="list-style-type: none">▶ Leveraging F-M Integrated Network▶ Extending Backhauling to Reduce ITX Costs▶ A More Efficient Spectrum Allocation▶ Further Capex Optimisation

Continuing Deleveraging the Company

New Dividend Policy



Net Debt Adj. and Net Debt Adj./EBITDA target ratio



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TI Group - Main Results by BU - Reported Figures

Euro mln	9M Reported				IV Quarter Reported				Full Year Reported			
	Actual 2012	Actual 2011	Δ Abs	Δ %	Actual 2012	Actual 2011	Δ Abs	Δ %	Actual 2012	Actual 2011	Δ Abs	Δ %
REVENUES												
Domestic	13,413	14,069	-656	(4.7)	4,471	4,922	-451	(9.2)	17,844	18,991	-1,107	(5.8)
Wireline Domestic	9,604	10,002	-398	(4.0)	3,185	3,487	-302	(8.7)	12,789	13,489	-700	(5.2)
Tim Domestic	4,960	5,286	-326	(6.2)	1,655	1,828	-173	(9.5)	6,615	7,114	-499	(7.0)
Brazil	5,595	5,395	200	3.7	1,882	1,948	-66	(3.4)	7,477	7,343	134	1.8
Argentina	2,804	2,324	480	20.7	980	896	84	9.4	3,784	3,220	564	17.5
Media	161	170	-9	(5.3)	61	68	-7	(10.3)	222	238	-16	(6.7)
Olivetti	185	226	-41	(18.1)	95	117	-22	(18.8)	280	343	-63	(18.4)
Other Activities & Elim.	-97	-125	28	-	-47	-53	6	-	-144	-178	34	-
TI Group	22,061	22,059	2	0.0	7,442	7,898	-456	(5.8)	29,503	29,957	-454	(1.5)

Euro mln	9M Reported				IV Quarter Reported				Full Year Reported			
	Actual 2012	Actual 2011	Δ Abs	Δ %	Actual 2012	Actual 2011	Δ Abs	Δ %	Actual 2012	Actual 2011	Δ Abs	Δ %
EBITDA												
Domestic	6,696	6,953	-257	(3.7)	2,000	2,220	-220	(9.9)	8,696	9,173	-477	(5.2)
Brazil	1,460	1,444	16	1.1	536	546	-10	(1.8)	1,996	1,990	6	0.3
Argentina	825	759	66	8.7	296	276	20	7.2	1,121	1,035	86	8.3
Media	-26	27	-53	-	-19	0	-19	-	-45	27	-72	-
Olivetti	-58	-37	-21	(56.8)	1	1	0	0.0	-57	-36	-21	(58.3)
Other Activities & Elim.	-37	-9	-28	-	-9	-9	0	-	-46	-18	-28	-
TI Group	8,860	9,137	-277	(3.0)	2,805	3,034	-229	(7.5)	11,665	12,171	-506	(4.2)
EBITDA MARGIN	40.2%	41.4%	-1.2 pp		37.7%	38.4%	-0.7 pp		39.5%	40.6%	-1.1 pp	

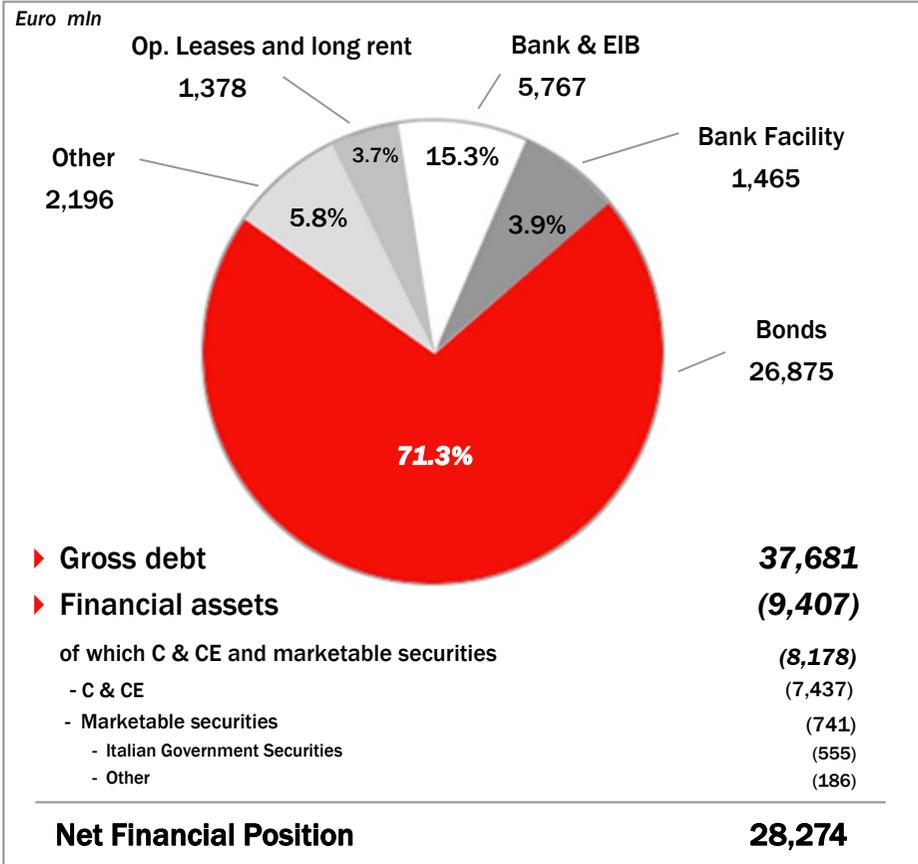
TI Group - Main Results by BU - Organic Figures

Euro mln	9M Organic				IV Quarter Organic				Full Year Organic			
	Actual 2012	Actual 2011	Δ Abs	Δ %	Actual 2012	Actual 2011	Δ Abs	Δ %	Actual 2012	Actual 2011	Δ Abs	Δ %
REVENUES												
Domestic	13,422	14,078	-656	(4.7)	4,484	4,925	-441	(9.0)	17,906	19,003	-1,097	(5.8)
Wireline Domestic	9,613	10,011	-398	(4.0)	3,197	3,490	-293	(8.4)	12,810	13,501	-691	(5.1)
Tim Domestic	4,960	5,286	-326	(6.2)	1,656	1,828	-172	(9.4)	6,616	7,114	-498	(7.0)
Brazil	5,595	5,040	555	11.0	1,882	1,768	114	6.7	7,477	6,808	669	9.8
Argentina	2,804	2,337	467	20.0	980	828	152	18.5	3,784	3,165	619	19.6
Media	161	170	-9	(5.3)	61	68	-7	(10.3)	222	238	-16	(6.7)
Olivetti	185	210	-25	(11.9)	95	113	-18	(15.9)	280	323	-43	(13.3)
Other Activities & Elim.	-97	-108	11	-	-47	-55	8	-	-144	-163	19	-
TI Group	22,070	21,727	343	1.6	7,455	7,647	-192	(2.5)	29,525	29,374	151	0.5

Euro mln	9M Organic				IV Quarter Organic				Full Year Organic			
	Actual 2012	Actual 2011	Δ Abs	Δ %	Actual 2012	Actual 2011	Δ Abs	Δ %	Actual 2012	Actual 2011	Δ Abs	Δ %
EBITDA												
Domestic	6,713	7,034	-321	(4.6)	2,116	2,253	-137	(6.1)	8,829	9,287	-458	(4.9)
Brazil	1,477	1,353	124	9.2	540	499	41	7.9	2,017	1,852	165	8.9
Argentina	825	763	62	8.0	311	255	56	21.8	1,136	1,018	118	11.7
Media	-26	6	-32	-	-19	0	-19	-	-45	6	-51	-
Olivetti	-28	-37	9	24.3	2	1	1	100.0	-26	-36	10	27.8
Other Activities & Elim.	-37	-8	-29	-	-9	-8	-1	-	-46	-16	-30	-
TI Group	8,924	9,111	-187	(2.1)	2,941	3,000	-59	(2.0)	11,865	12,111	-246	(2.0)
EBITDA MARGIN	40.4%	41.9%	-1.5 pp		39.5%	39.2%	0.3 pp		40.2%	41.2%	-1 pp	

Well Diversified and Hedged Debt

Total Gross Debt Net of Adjustment: Euro 37,681 mln



Maturities and Risk Management

- ▶ Average debt maturity: 7.13 years (bond only 8.05 years)
- ▶ Fixed rate portion on gross debt approximately 73.8%
- ▶ Around 48% of outstanding bonds (nominal amount) is denominated in USD, GBP and YEN and is fully hedged

Cost of debt: ~5.4%

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 2,560 €/mln (of which 673 €/mln on bonds)
 - the impact on Financial Assets is equal to 1,781 €/mln
 Therefore, the Net Financial Indebtedness is adjusted by 779 €/mln.