

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 2012 and 2011.

- **Adjusted 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 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 denominated "Adjusted net financial debt" has been introduced, which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

Adjusted 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

Starting from the first half of 2012, the Telecom Italia Group has early adopted and retrospectively applied revised IAS 19 (Employee Benefits), therefore, the comparative figures of the Business Units have been restated on a consistent basis.

TELECOM ITALIA GROUP - HIGHLIGHTS

(millions of euros)	2012 Preliminary (a)	2011 (b)	Change (a-b)		
			absolute	%	% organic
Revenues	29,503	29,957	(454)	(1.5)	0.5
EBITDA	11,665	12,171	(506)	(4.2)	(2.0)
EBITDA margin	39.5	40.6		(1.1)pp	
Organic EBITDA margin	40.2	41.2		(1.0)pp	
Capital expenditures	5,196	6,095	(899)	(14.7)	
Operating Free Cash Flow	6,466	5,767	699		
Adjusted net financial debt	28,274	30,414	(2,140)		
Headcount at year-end (number)	83,184	84,154	(970)		

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

TELECOM ITALIA S.p.A. - HIGHLIGHTS

(millions of euros)	2012 Preliminary (a)	2011 (b)	Change (a-b)		
			absolute	%	% organic
Revenues	16,940	18,045	(1,105)	(6.1)	(6.1)
EBITDA	8,453	8,936	(483)	(5.4)	(5.0)
EBITDA margin	49.9	49.5		0.4 pp	
Organic EBITDA margin	50.7	50.1		0.6 pp	
Capital expenditures	3,005	4,122	(1,117)		
Adjusted net financial debt	34,878	36,402	(1,524)		
Headcount at year-end (number)	44,606	47,801	(3,195)	(6.7)	

TELECOMITALIA GROUP-INFORMATION BY OPERATING SEGMENTS

DOMESTIC

(millions of euros)	2012 Preliminary	2011	Change		
			absolute	%	% organic
Revenues	17,884	18,991	(1,107)	(5.8)	(5.8)
EBITDA	8,696	9,173	(477)	(5.2)	(4.9)
EBITDA margin	48.6	48.3		0.3 pp	0.4 pp
Headcount at year-end (number) (*)	53,224	55,047	(1,823)	(3.3)	

(*) The 1,823 headcount change includes the effects resulting from the acquisition, as of January 1, 2012, of the Contact Center business and the relative 249 resources from the company Advalso in the Olivetti Business Unit.

Core Domestic

(millions of euros)	2012 Preliminary	2011	Change		
			absolute	%	% organic
Revenues	16,933	18,082	(1,149)	(6.4)	(6.2)
Consumer (1)	8,835	9,168	(333)	(3.6)	(3.6)
Business (2)	2,777	3,064	(287)	(9.4)	(9.4)
Top (2)	3,102	3,529	(427)	(12.1)	(12.1)
National Wholesale	2,052	2,104	(52)	(2.5)	(1.5)
Other	167	217	(50)	(23.0)	(19.6)
EBITDA	8,480	8,941	(461)	(5.2)	(4.8)
EBITDA margin	50.1	49.4		0.7pp	0.7pp
Headcount at year-end (number)	52,289	54,038	(1,749)	(3.2)	

(1) The company Matrix, sold on October 31, 2012, during 2012 was included in Other Operations and was consequently no longer part of the Consumer segment of Core Domestic. The periods under comparison have been reclassified accordingly.

(2) The data of the Business and Top segments in 2011 have been reclassified for purposes of comparison with the data of the 2012, which take into account the new customer classification criteria introduced at the beginning of 2012.

International Wholesale

(millions of euros)	2012 Preliminary	2011	Change		
			absolute	%	% organic
Revenues	1,393	1,393	-	-	(1.4)
Of which third parties	985	960	25,0	2.6	0.5
EBITDA	229	243	(14,0)	(5.8)	(9.2)
EBITDA margin	16.4	17.4		(1.0)pp	(1.4)pp
Headcount at year-end (number)	935	1,009	(74)	(7.3)	

BRAZIL

	(million of euros)		(million of reais)		Changes		
	2012 Preliminary (a)	2011 (b)	2012 Preliminary (c)	2011 (d)	absolute (c-d)	% (c-d)/d	% organic
Revenues	7,477	7,343	18,764	17,086	1,678	9.8	9.8
EBITDA	1,996	1,990	5,008	4,631	377	8.1	8.9
EBITDA margin	26.7	27.1	26.7	27.1		(0.4)pp	(0.2)pp
Headcount at year-end (number)			11,622	10,539	1,083	10.3	

ARGENTINA

	(million of euros)		(million of pesos)		Change		
	2012 Preliminary (a)	2011 (b)	2012 Preliminary (c)	2011 (d)	absolute (c-d)	% (c-d)/d	% organic
Revenues	3,784	3,220	22,116	18,496	3,620	19,6	19.6
EBITDA	1,121	1,035	6,553	5,947	606	10,2	11.7
EBITDA margin	29,6	32,2	29,6	32,2		(2.6)pp	(2.2)pp
Headcount at year-end (number) (*)			16,803	16,350	453	2.8	

(*) Includes employees with temp work contracts: 3 at December 31, 2012 and 1 at December 31, 2011.

OLIVETTI

(millions of euros)	2012 Preliminary	2011	Change		
			absolute	%	% organic
Revenues	280	343	(63)	(18.4)	(13.3)
EBITDA	(57)	(36)	(21)	(58.3)	27.8
EBITDA margin	(20.4)	(10.5)			
Headcount at year-end (number)	778	1.075	(297)	(27,6)	

TELECOMITALIA GROUP – RECONCILIATION TO COMPARABLE EBITDA

TELECOM ITALIA GROUP

Domestic

Telecom Italia S.p.A.

(millions of euros)	2012 Preliminary	2011	2012 Preliminary	2011	2012 Preliminary	2011
HISTORICAL EBITDA	11,665	12,171	8,696	9,173	8,453	8,936
Changes in the scope of consolidation		3		(1)		-
Foreign currency financial statements translation effect		(156)		7		-
Non-organic (income) expenses	200	93	133	108	139	105
<i>Disputes and settlements</i>	98	42	94	63	98	63
<i>Restructuring expenses (*)</i>	39	12	(7)	12	(6)	9
<i>Other (income) expenses, net</i>	63	39	46	33	47	33
COMPARABLE EBITDA	11,865	12,111	8,829	9,287	8,592	9,041

(*) the item includes reversals and provisions to the mobility fund

	Brazil (millions of reais)		Argentina (millions of pesos)		Olivetti (millions of euros)	
	2012 Preliminary	2011	2012 Preliminary	2011	2012 Preliminary	2011
HISTORICAL EBITDA	5,008	4,631	6,553	5,947	(57)	(36)
Changes in the scope of consolidation		-		-		-
Foreign currency financial statements translation effect		-		-		-
Non-organic (income) expenses	53	18	90	-	31	-
<i>Disputes and settlements</i>	11	-	-	-	-	-
<i>Restructuring expenses (*)</i>	-	-	90	-	31	-
<i>Other (income) expenses, net</i>	42	18	-	-	-	-
COMPARABLE EBITDA	5,061	4,649	6,643	5,947	(26)	(36)

(*) the item includes reversals and provisions to the mobility fund

TELECOM ITALIA GROUP – NET OPERATING FREE CASH FLOW

Net operating free cash flow

(millions of euros)	2012 Preliminary	2011	Change
EBITDA	11,665	12,171	(506)
Capital expenditures on an accrual basis	(5,196)	(6,095)	899
Change in net operating working capital	206	(100)	306
Change in provisions for employees benefits	(221)	(175)	(46)
Change in operating provisions and Other changes	12	(34)	46
Net operating free cash flow	6,466	5,767	699

EFFECTS ON KEY FINANCIAL AND OPERATING DATA ARISING FROM THE EARLY ADOPTION OF THE REVISED IAS 19 (EMPLOYEE BENEFITS)

In June 2012, the EU issued Commission Regulation (EU) 475/2012 that endorsed the revised version of IAS 19 (Employee Benefits) (“IAS 19 (2011)”) which is applicable retrospectively, starting from January 1, 2013. As permitted, Telecom Italia decided to early adopt the amendments to IAS 19 starting from the Half-year Financial Report at June 30, 2012 in order to reduce the volatility of the values recognized in the separate income statement.

In particular, under IAS 19 (2011), with reference to the employee defined benefit plans (e.g. employee severance indemnity), remeasurements of actuarial gains and losses are recognized in other components of other comprehensive income. Therefore, other options previously provided were deleted (including the one adopted by the Telecom Italia Group whereby these components had been recorded in Employee benefits expenses in the separate income statement). Service costs as well as interest expenses related to the “time value” component of the actuarial calculations (the latter reclassified to Finance expenses), are still recognized in the separate income statement.

The early adoption of such amendments resulted in the restatement of the separate income statement and the statement of comprehensive income of the Telecom Italia Group and Telecom Italia S.p.A. for 2011.

The effects are as follows:

SEPARATE INCOME STATEMENT

(millions of euros)	2011 Telecom Italia Group	2011 Telecom Italia S.p.A.
Employee benefit expenses–reversal of actuarial gains and losses	(117)	(102)
Employee benefit expenses–interest component reclassification	42	38
Finance expenses–interest component reclassification	(42)	(38)
Income tax expenses	33	28
Impact on Profit (loss) for the year	(84)	(74)

STATEMENT OF COMPREHENSIVE INCOME

(millions of euros)	2011 Telecom Italia Group	2011 Telecom Italia S.p.A.
Impact on Profit (loss) for the year	(84)	(74)
Remeasurements of employee defined benefit plans (IAS19):	84	74
Actuarial gains	117	102
Net fiscal impact	(33)	(28)
Impact on Total profit (loss) for the year	-	-