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.

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Agenda

- Domestic 1Q12 Progress Report
  - Fixed Business
  - Mobile Business
  - Cash Cost Rationalization & Operating Model
  - Appendix
Domestic Results: Trend still improving

Euro mln, Organic data, %

### Total Domestic Revenues

<table>
<thead>
<tr>
<th></th>
<th>1Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>1,679</td>
<td>1,650</td>
</tr>
<tr>
<td>Wireline</td>
<td>3,330</td>
<td>3,235</td>
</tr>
</tbody>
</table>

- Mobile: -109 M€ (-2.4%)
- Wireline: -78 M€ (-3.4%)

### Domestic Service Revenues

<table>
<thead>
<tr>
<th></th>
<th>1Q11</th>
<th>2Q11</th>
<th>3Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-7.6%</td>
<td>-6.2%</td>
<td>-3.7%</td>
<td>-3.2%</td>
<td>-2.3%</td>
</tr>
</tbody>
</table>

### EBITDA

<table>
<thead>
<tr>
<th></th>
<th>1Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,274</td>
<td>2,196</td>
</tr>
</tbody>
</table>

- EBITDA: -78 M€ (-3.4%)
- EBITDA: -0.5 p.p. (49.5% to 49.0%)

### EBITDA-Capex

<table>
<thead>
<tr>
<th></th>
<th>1Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,611</td>
<td>1,607</td>
</tr>
</tbody>
</table>

- EBITDA-Capex: -4 M€ (-0.2%)
- EBITDA-Capex: +0.7 p.p. (35.1% to 35.8%)
Agenda

- Domestic 1Q12 Progress Report
- Fixed Business
  - Mobile Business
- Cash Cost Rationalization & Operating Model
- Appendix
Domestic Fixed: Revenue Dynamics

Euro mln, Organic Data, %

**Total Fixed Revenues**

- 1Q11: 3,330
- 1Q12: 3,235

**Fixed Revenues Trend – YoY % change**

- Total:
  - 1Q11: -4.5%
  - 4Q11: -2.8%
  - 1Q12: -2.9%

- Equipment:
  - 1Q11: +9.8%
  - 4Q11: -15.3%
  - 1Q12: -38.6%

- Services:
  - 1Q11: -4.9%
  - 4Q11: -1.9%
  - 1Q12: -1.7%

**Wholesale Revenues Trend – YoY % change**

- Domestic:
  - 1Q11: +5.0%
  - 4Q11: -1.0%
  - 1Q12: -1.1%

- Sparkle Group*:
  - 1Q11: -18.5%
  - 4Q11: +5.5%
  - 1Q12: +8.8%

**Retail Service Revenues Trend – YoY % change**

- 1Q11: -6.3%
- 2Q11: -6.0%
- 3Q11: -3.8%
- 4Q11: -4.0%
- 1Q12: -3.8%

*Gross of Elim. & Adj.

Tariff simplification process begins.
Domestic Fixed: TI Access Performance

**Telecom Italia Access**

<table>
<thead>
<tr>
<th>Wholesale</th>
<th>TI Retail</th>
<th>M/S on total MNA</th>
</tr>
</thead>
<tbody>
<tr>
<td>22,098</td>
<td>15,145</td>
<td>1Q11 67.7%</td>
</tr>
<tr>
<td>6,952</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21,712</td>
<td>14,652</td>
<td>4Q11 66.6%</td>
</tr>
<tr>
<td>7,060</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21,562</td>
<td>14,457</td>
<td>1Q12 66.2%</td>
</tr>
<tr>
<td>7,105</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TI Line Losses**

<table>
<thead>
<tr>
<th>Wholesale</th>
<th>TI Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>181</td>
<td>1Q11</td>
</tr>
<tr>
<td>-25k</td>
<td>2Q11</td>
</tr>
<tr>
<td>98</td>
<td>3Q11</td>
</tr>
<tr>
<td>-77k</td>
<td>4Q11</td>
</tr>
<tr>
<td>45</td>
<td>1Q12</td>
</tr>
<tr>
<td>-150k</td>
<td></td>
</tr>
<tr>
<td>-206</td>
<td>Stable</td>
</tr>
<tr>
<td>-175</td>
<td></td>
</tr>
<tr>
<td>-195</td>
<td></td>
</tr>
</tbody>
</table>

**Voice ARPU – YoY % change**

<table>
<thead>
<tr>
<th>1Q11</th>
<th>2Q11</th>
<th>3Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>-3.8%</td>
<td>-3.1%</td>
<td>-1.1%</td>
<td>-1.2%</td>
<td>+0.1%</td>
</tr>
</tbody>
</table>

**Highlights**

- Access Market reduction as result of stable TI’s line losses and decreasing OLO’s net adds
- TI’s access market share above 66%
- Line erosion driven by
  - In Consumer, disconnections in second homes (low potential, voice only)
  - In Business Segment, multi-line contracts rationalization and increasing number of Companies exiting the market
DOMESTIC FIXED: FOCUS ON BROADBAND

**TI Retail Broadband Accesses**

<table>
<thead>
<tr>
<th>Total Markets</th>
<th>1Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Retail Accesses</td>
<td>13,248</td>
<td>13,394</td>
<td>13,485</td>
</tr>
<tr>
<td>Flat (%)</td>
<td>87%</td>
<td>87%</td>
<td>88%</td>
</tr>
<tr>
<td>M/S</td>
<td>54.3%</td>
<td>53.2%</td>
<td>52.6%</td>
</tr>
</tbody>
</table>

**Broadband Retail ARPU**

<table>
<thead>
<tr>
<th>Euro/month/line</th>
<th>1Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.4</td>
<td>18.2</td>
<td>18.3</td>
<td></td>
</tr>
</tbody>
</table>

**BB Service Revenues**

<table>
<thead>
<tr>
<th>% YoY</th>
<th>1Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>+0.3%</td>
<td>+0.5%</td>
<td>+0.8%</td>
<td></td>
</tr>
</tbody>
</table>

**Highlights**

- Confirming the right direction in TI’s Value Strategy:
  - Continued positive BB Service Revenues trend
  - QoQ ARPU increase
  - +1.0 p.p. of Flat offers on TI’s BB Customer Base
- Increasing BB penetration (+1.5 p.p.) on fixed CB, confirming the low value of TI’s line losses
Agenda

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Mobile Revenues: 1Q12 Results at a Glance

Euro mln, Organic Data

**Total Mobile Revenues**

- **Handset revenues**
  - 1Q11: 45
  - 1Q12: 77
  - Growth: +71.1%

- **Service revenues**
  - 1Q11: 1,634
  - 1Q12: 1,573
  - Growth: -3.7%

- **Normalized (*):**
  - ~2.5%

**Mobile Handsets Revenues Trend – YoY % change**

- 1Q11: -29
- 1Q12: +71.1%

**Mobile Service Revenues Trend – YoY % change**

- 1Q11: -11.7%
- 1Q12: -3.7%

(*) Leap year
Domestic Mobile: Customer Base Trend

Euro mn, Organic Data

<table>
<thead>
<tr>
<th>Total SIM cards</th>
<th>1Q11</th>
<th>2Q11</th>
<th>3Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31,038</td>
<td>31,260</td>
<td>31,679</td>
<td>32,227</td>
<td>32,328</td>
</tr>
</tbody>
</table>

Net Adds

<table>
<thead>
<tr>
<th></th>
<th>1Q11</th>
<th>2Q11</th>
<th>3Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q11</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2Q11</td>
<td></td>
<td>222</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3Q11</td>
<td></td>
<td></td>
<td>419</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4Q11</td>
<td></td>
<td></td>
<td></td>
<td>548</td>
<td></td>
</tr>
<tr>
<td>1Q12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>101</td>
</tr>
</tbody>
</table>

Highlights

- **Sound customer base growth** in spite of weak seasonality
- **Progressive improvement in MNP balance**, and lower promo aggressiveness
- **Best in class churn rate** supported by CRM focus
Domestic Mobile – Defending Value of our Customer Base

**More Value from Options – Consumer Segment**

- Avg Δ ARPU Ex-ante/Ex-post
  - Spontaneous migration by clients from pay-as-you-go profile to bundle and options
  - CRM activity on existing CB
  - Positive blended impact

**Consumer Calling ARPU**

- Business Received
  - 1Q11: 14%
  - 1Q12: 12%
  - Lower exposure to MTR cuts
- Business Generated
  - 1Q11: 86%
  - 1Q12: 88%
  - Progressive improvement on quarterly basis

**Options benefit Consumer Churn**

- w/o Options
  - -8 p.p.
- with Options

**Business Generated Consumer Revenues**

<table>
<thead>
<tr>
<th>% YoY</th>
<th>1Q11</th>
<th>2Q11</th>
<th>3Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-9.4%</td>
<td>-7.2%</td>
<td>-5.0%</td>
<td>-3.5%</td>
<td>-1.8%</td>
</tr>
</tbody>
</table>
Domestic Mobile – Focus on Mobile VAS Consumer

Successful strategy pushing on bundle offers aiming at messaging revenues protection and CB fidelization:
- Messaging Volumes: +25% YoY
- CB with Messaging Bundle Offers: +44% YoY

Continued solid growth in active users and browsing revenues underpinning Mobile recovery trend

Solid ARPU increase: +9.4% YoY

Leadership confirmed on dongle: M/S ~38%

Double digit growth in users (+11.5% YoY)
SME Segment: TI-Microsoft Partnership

1. First Mover Strategy
2. Sinergy & Positioning
3. Distribution Channel
4. Quality of Services
5. Portfolio
6. Innovation

Business Model and Contents

- Server Side Software
- Impresa Semplice
- Ospit@ Suite Cloud
- CRM/Web
- Partner Management

Channel Benefits

- ~2000 Potential Partners
- 10-15% Microsoft Partners
  Redemption Expected
Ultra Broadband in Motion

**Fixed**

- FTTC (covering 30 main cities) and FTTH (in Milan) Retail commercial launch expected in 4Q
- Reference Offer for wholesale NGAN Access Services submitted to Agcom in March, final approval expected by September

**Mobile**

- 42 Mbps coverage in progress in 50 cities
- Ongoing Trials extended to Turin, Milan, Rome and Naples

Maintaining a fixed & mobile coordinated approach
Agenda

- Domestic 1Q11 Progress Report
- Fixed Business
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- Appendix
Focus on 1Q12 Domestic EBITDA

<table>
<thead>
<tr>
<th>1Q11 Revenues</th>
<th>Interconn. Costs</th>
<th>Handsets costs</th>
<th>Mktg&amp;Comm. Opex</th>
<th>Fixed Opex*</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,274</td>
<td>(109)</td>
<td>+23</td>
<td>(6)</td>
<td>+29</td>
<td>(15)</td>
</tr>
</tbody>
</table>

- **1Q12 Results**
- **-78M€, -3.4%**

### 1. ITZ Wholesale: -36M€ due to gross Voice revenues increase
- Retail: +59M€ reflecting MTR cut impact

### 2. Push on Mobile Smartphone with limited impact on SAC/Subsidy

### 3. Robust growth on Mobile Gross Adds managed through Acquisition Costs Control
- Effciency program on Fixed Commercial Costs turned into yoy positive contribution to margins

### 4. Personnel Cost reduction from lay-off program
- (-3% yoy) offsets the negative impact from market prices increase in energy and real estate**

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* Industrial + Personnel + G&A = Fixed Opex

** Energy unitary price (including taxation) and inflation adj (ISTAT), IMU on Real Estate
## Domestic 1Q12 Takeaways

<table>
<thead>
<tr>
<th>Wireline</th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Market reduction continues and refers to low value lines. Only 25% of TI line losses recovered by OLOs</td>
<td>Mobile Service Revenues declined 3.7% YoY (-3.1% in Retail perimeter, and only -1% if we consider Retail Business Generated, net of MTR drag)</td>
</tr>
<tr>
<td>Ongoing tariff simplification process has continued, first including Business segment as of Jan. 1(^{st}), and regarding Consumer again from July 2012, as announced</td>
<td>Browsing Revenues growth (&gt;20%) driven by small screens, sustained by a winning smartphone strategy</td>
</tr>
<tr>
<td>Broadband: Slight increase in overall market, with OLO's aggressive promos still continuing. TI stays on its value driven strategy</td>
<td>Healthy TIM Customer Base growth, driven by Consumer segment</td>
</tr>
<tr>
<td>Further increase in TI Broadband Services Revenues (+0.8% YoY in 1Q12 vs +0.5% YoY in 4Q11)</td>
<td>Strong improvement on Mobile recovery trend, also supported by one-off events (leap year) and a more rational competition</td>
</tr>
<tr>
<td>Business and Corporate Market continues to suffer, as a consequence of Italian economic scenario</td>
<td></td>
</tr>
</tbody>
</table>

**NEW BOX**

- Ongoing tariff simplification process has continued, first including Business segment as of Jan. 1\(^{st}\), and regarding Consumer again from July 2012, as announced.
Agenda

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## Domestic Wireline Revenues

**Euro mln, Organic Data, %**

<table>
<thead>
<tr>
<th></th>
<th>1Q11</th>
<th>1Q12</th>
<th>YoY %</th>
<th>4Q11 vs 10 Δ % YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>3,330</td>
<td>3,235</td>
<td>(2.9)</td>
<td>(2.8)</td>
</tr>
<tr>
<td><strong>Sparkle Group</strong></td>
<td>319</td>
<td>347</td>
<td>8.8</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Domestic Core Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Voice &amp; Access</strong></td>
<td>1,420</td>
<td>1,356</td>
<td>(4.5)</td>
<td>(6.0)</td>
</tr>
<tr>
<td><strong>Internet</strong></td>
<td>407</td>
<td>409</td>
<td>0.5</td>
<td>(1.9)</td>
</tr>
<tr>
<td><strong>Business Data</strong></td>
<td>295</td>
<td>278</td>
<td>(5.8)</td>
<td>(4.4)</td>
</tr>
<tr>
<td><strong>National Wholesale</strong></td>
<td>795</td>
<td>786</td>
<td>(1.1)</td>
<td>(1.0)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>60</td>
<td>57</td>
<td>n.m.</td>
<td>n.m.</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td>101</td>
<td>62</td>
<td>(38.6)</td>
<td>(15.3)</td>
</tr>
<tr>
<td><strong>Elimination</strong></td>
<td>(67)</td>
<td>(61)</td>
<td>n.m.</td>
<td>n.m.</td>
</tr>
</tbody>
</table>
## Domestic Mobile Revenues

*Euro mln, Organic Data, %*

<table>
<thead>
<tr>
<th></th>
<th>1Q11</th>
<th>1Q12</th>
<th>Δ % YoY</th>
<th>4Q11 vs 10 Δ %YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>1,679</td>
<td>1,650</td>
<td>(1.7)</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Wholesale (*)</td>
<td>75</td>
<td>62</td>
<td>(17.3)</td>
<td>(24.4)</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>1,604</td>
<td>1,588</td>
<td>(1.0)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>o/w Services</td>
<td>1,559</td>
<td>1,511</td>
<td>(3.1)</td>
<td>(6.1)</td>
</tr>
<tr>
<td>o/w Business Generated (**)</td>
<td>1,349</td>
<td>1,335</td>
<td>(1.0)</td>
<td>(4.1)</td>
</tr>
<tr>
<td>o/w Outgoing Voice</td>
<td>875</td>
<td>825</td>
<td>(5.7)</td>
<td>(8.9)</td>
</tr>
<tr>
<td>o/w VAS</td>
<td>474</td>
<td>510</td>
<td>7.6</td>
<td>5.1</td>
</tr>
<tr>
<td>o/w Incoming</td>
<td>209</td>
<td>176</td>
<td>(15.8)</td>
<td>(19.5)</td>
</tr>
<tr>
<td>o/w Handsets</td>
<td>45</td>
<td>77</td>
<td>71.1</td>
<td>96.5</td>
</tr>
</tbody>
</table>

(*) Including Visitors  
(**) Total Retail Services Revenues net of Incoming
Progress on Domestic Efficiency Plan

**Euro mln, Organic Data, %**

### Cash Cost

- **Target FY**: -0.5 Bn

<table>
<thead>
<tr>
<th>1Q11</th>
<th>Interconnection</th>
<th>Volume Driven</th>
<th>Efficiency</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.984</td>
<td>-23</td>
<td>+52</td>
<td>-134</td>
<td>2.879</td>
</tr>
</tbody>
</table>

**Delta Cash Cost 1Q12 vs 1Q11**

- **Total Opex**: 2.290
- **Total Cash Cost**: 2.879
- **Cash Cost on Revenues %**: 64.9% → 64.2% (-0.7 p.p.)

### Delta Cash Cost 1Q12 vs 1Q11

- **ITX**: 556, -23
- **Handset**: 165, +6
- **Mktg & Comm.**: 442, -29
- **Industrial**: 250, +18
- **Personnel**: 757, -20
- **G&A & Other**: 120, +17

**Fixed Opex +15**

- **Opex**: 134
- **Capex**:
  - % on FY Target
    - ~30%
    - ~25%
    - ~35%

**Total Capex**: 589, -74

**Total Cash Cost**: 2.879, -105

*Costs related to credit management are reclassified from G&A & Other to Mktg & Sales*  
**Includes Other Operating cost/Income and Capitalized Costs**

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**TELECOM ITALIA GROUP**

**1Q 2012 Results**

**MARCO PATUANO**