

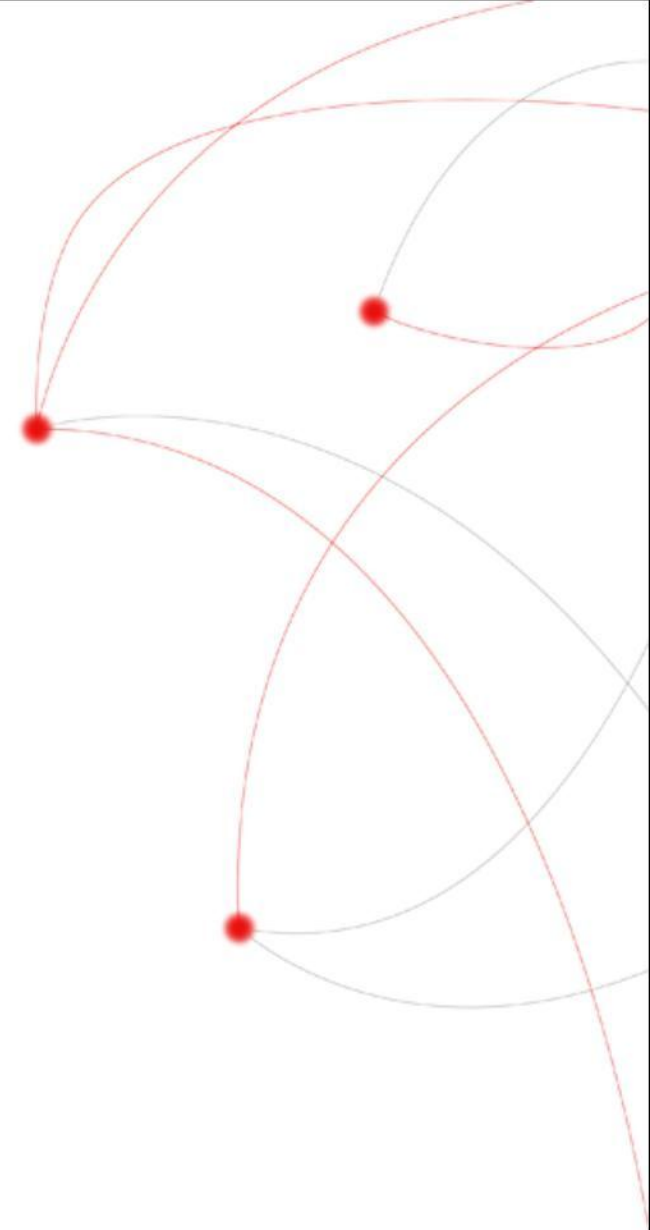
TELECOM ITALIA GROUP
Credit Suisse
London, September 18th, 2012

Telecom Italia

Credit Suisse

London, September 18th, 2012

Marco Patuano – Chief Operating Officer
Elisabetta Ripa – Head of Consumer Mobile



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.

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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

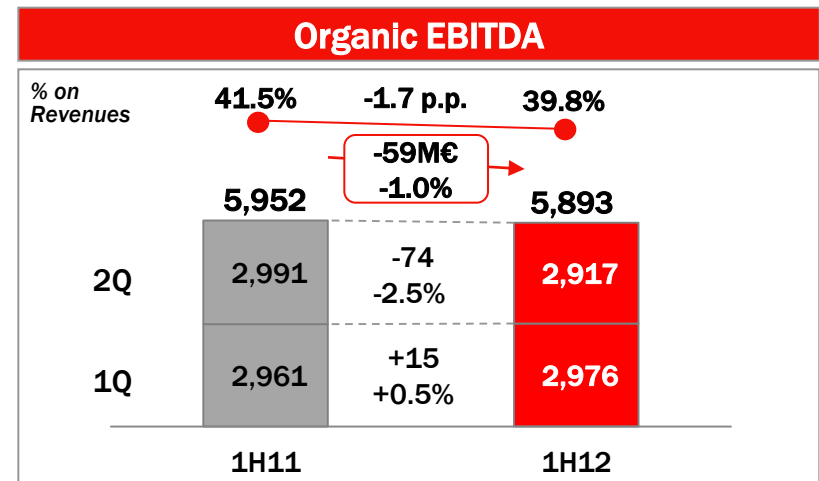
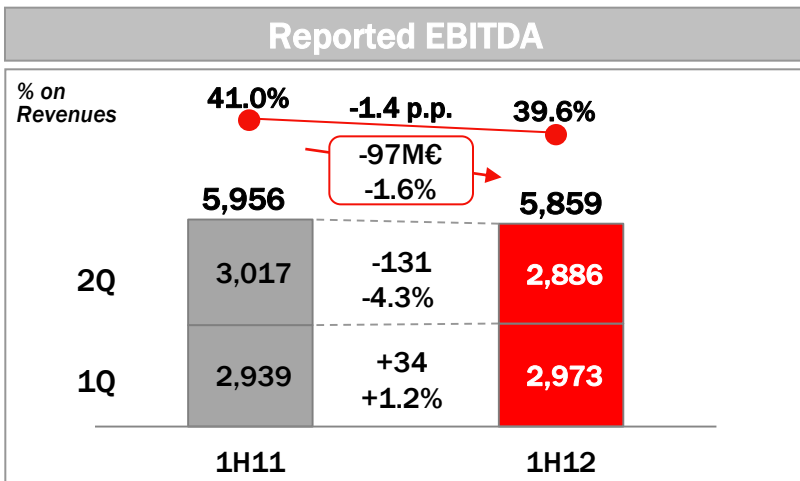
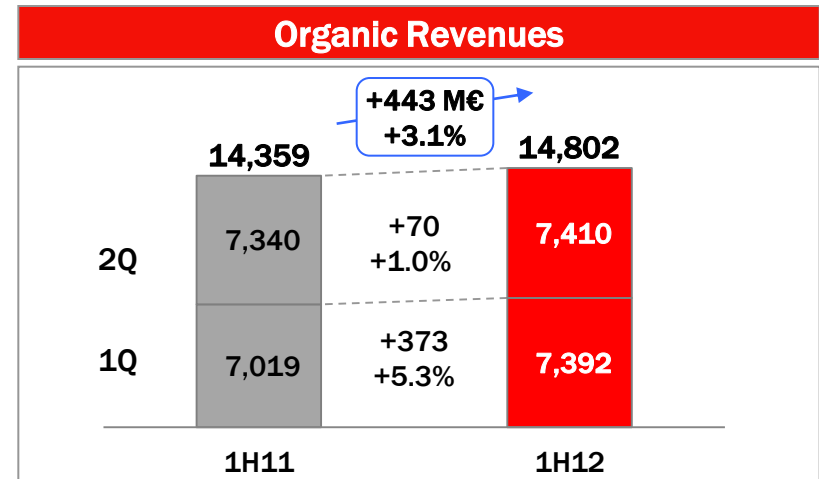
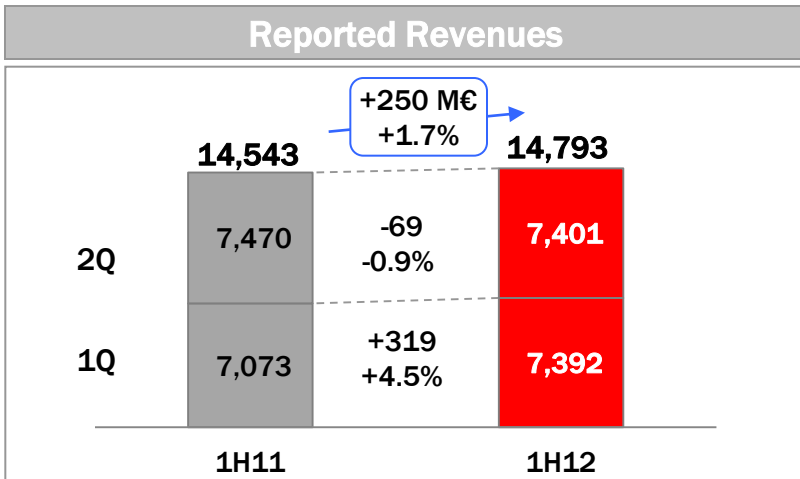
Agenda

- ▶ **Key TI Group Update**

- ▶ **Domestic 2Q12 Progress Report**
 - ▶ Fixed Business
 - ▶ Mobile Business

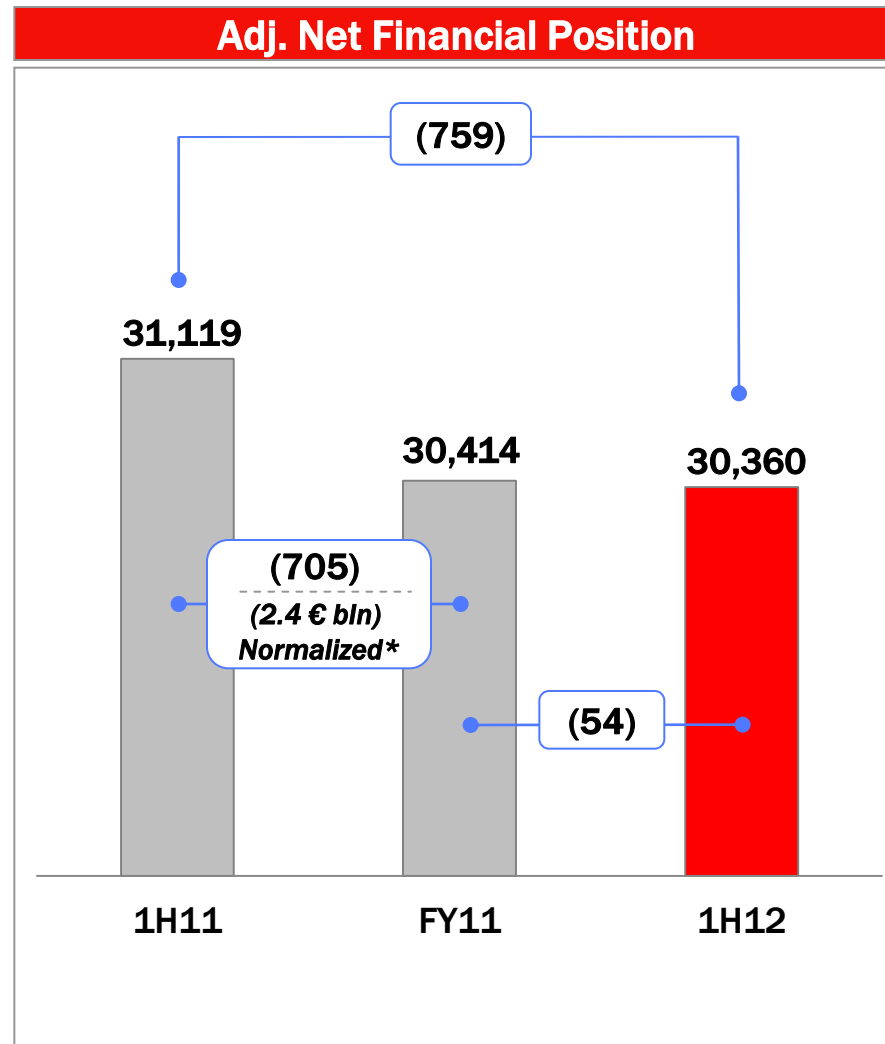
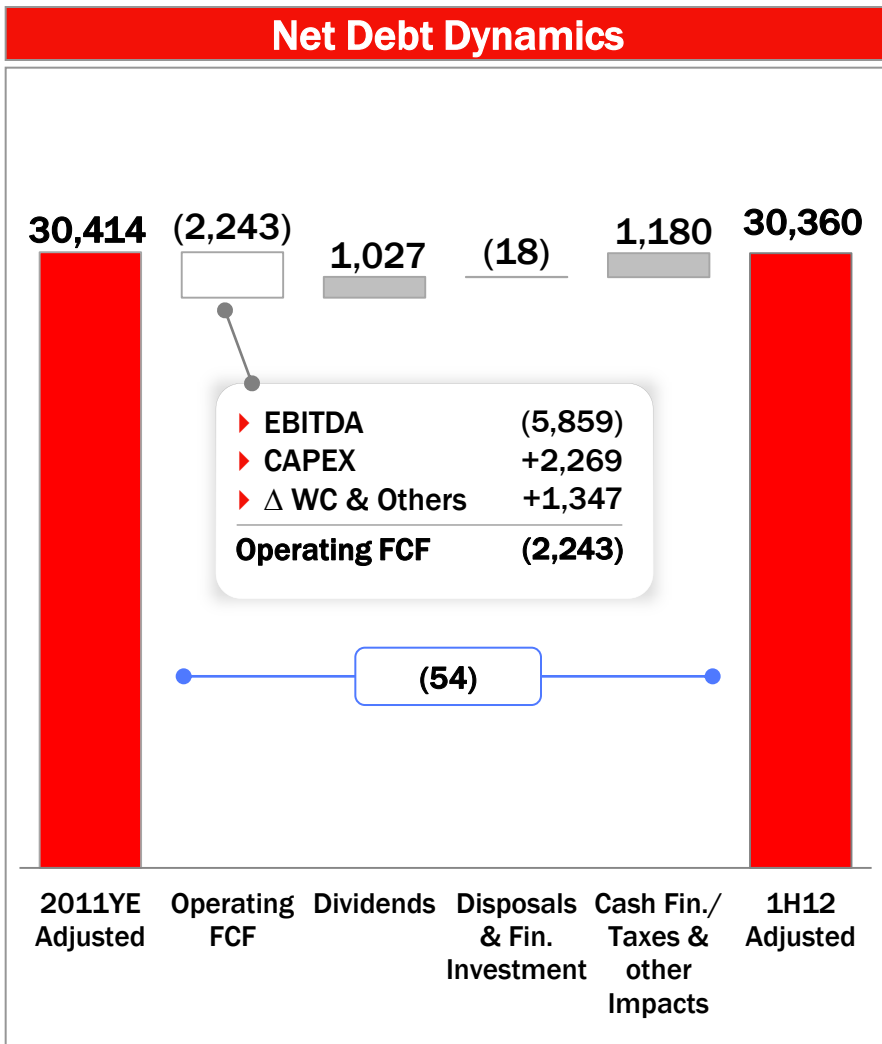
TI Group: Revenues & EBITDA trends

Euro mln, YoY%



Net Debt Evolution

Euro mln, Reported Data



Deleverage Targets Confirmed

Cash Flow Generation on Track

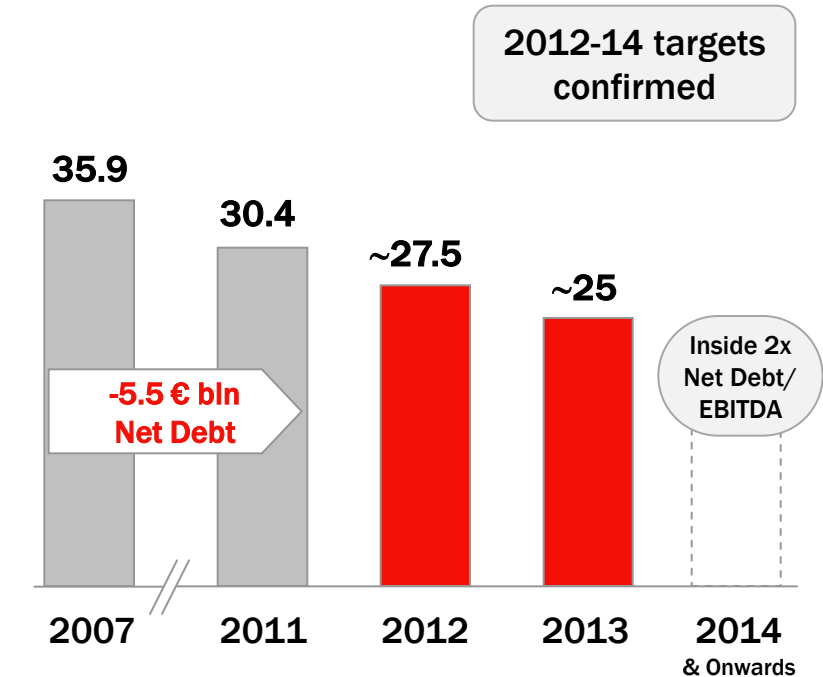
- ▶ In excess of Euro 1bn 2Q12 Group Dividend net cash-out entirely financed from Operations
- ▶ 1H12 YoY lower Working Capital absorption in line with FY target and recovering from 1Q12 trend
- ▶ TI Media disposal progressing
- ▶ Domestic MTR >50% cut to be broadly neutralized on an EBITDA level
- ▶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

Ongoing Liquidity Efficiently Ensured

- ▶ Portion of Euro 4bn in Flagship Bank Facility extended until 2017, more than fully covering funded 2014 bank maturities well in advance
- ▶ Euro 2.5bn Bonds issued in 2012 (including September 13th Eur1bn deal) show an average cost of 5.1%, well below the Group's Debt average 5.4%.
- ▶ About Euro 800mIn short-maturity Bonds bought-back yield future interest cost savings

Deleverage to Proceeds according to Plan *

Euro Bln



Current Dividend Confirmed as Floor for '12-'14

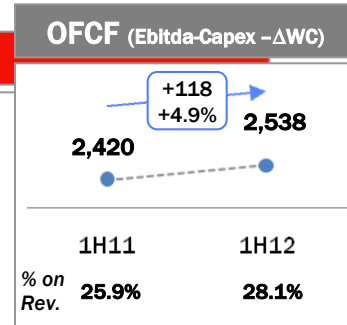
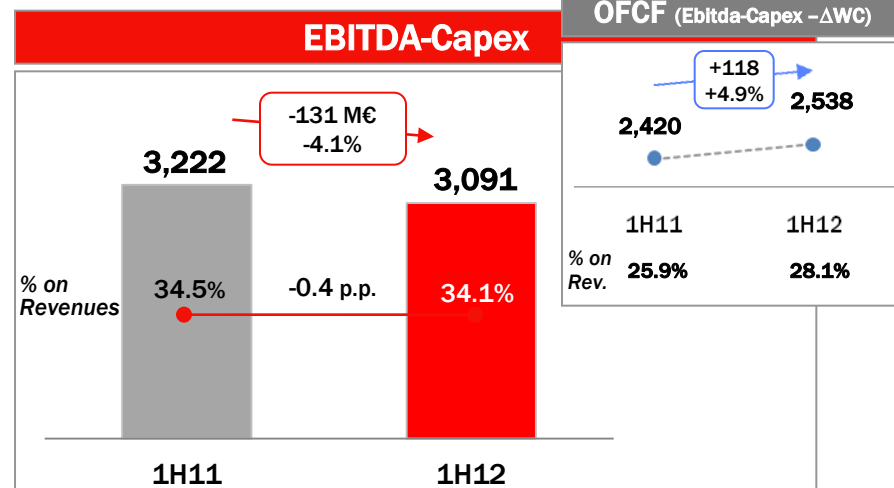
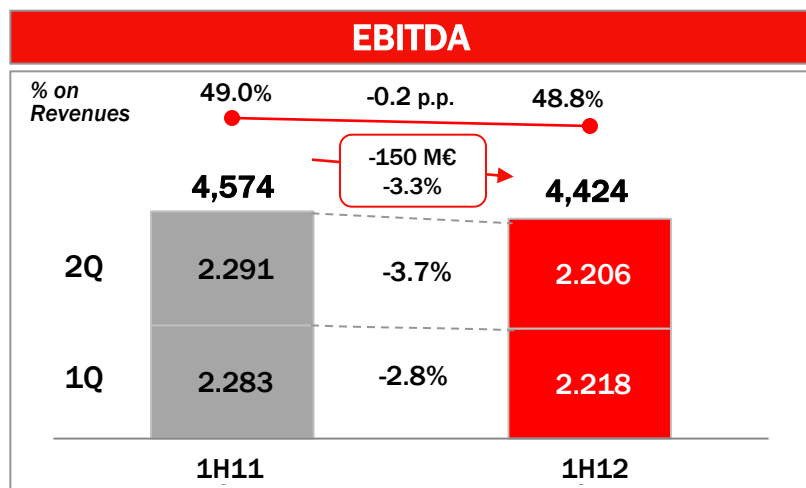
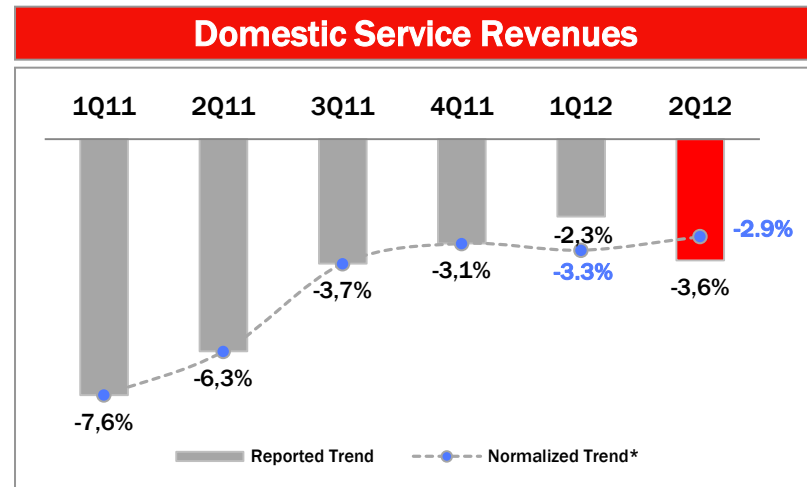
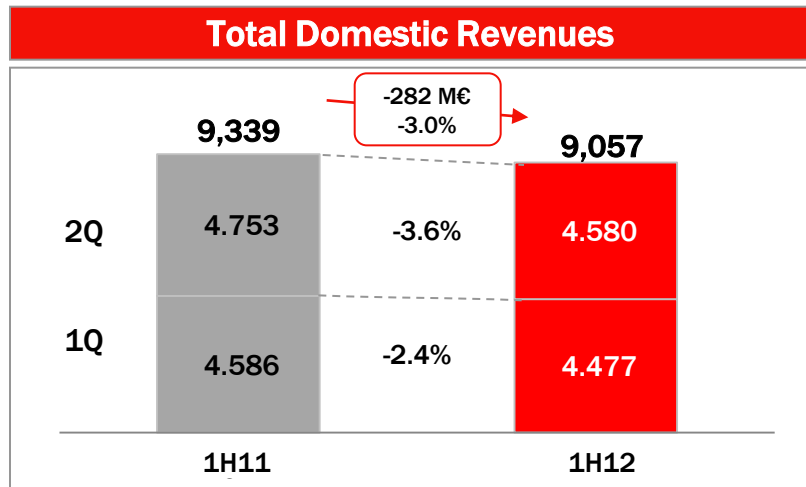
Agenda

- ▶ Key TI Group Update

- ▶ **Domestic 2Q12 Progress Report**
 - ▶ Fixed Business
 - ▶ Mobile Business

1H12 Domestic Results: On-Track and Resilient

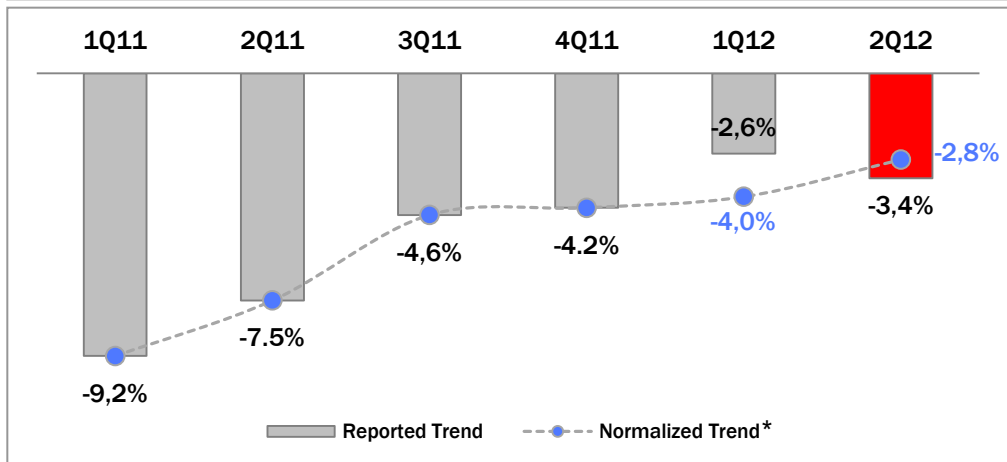
Euro mln, Organic data, %



* Normalized data for bad weather and calendar discontinuity

Service Revenues Trend by Segment: Consumer & Corporate

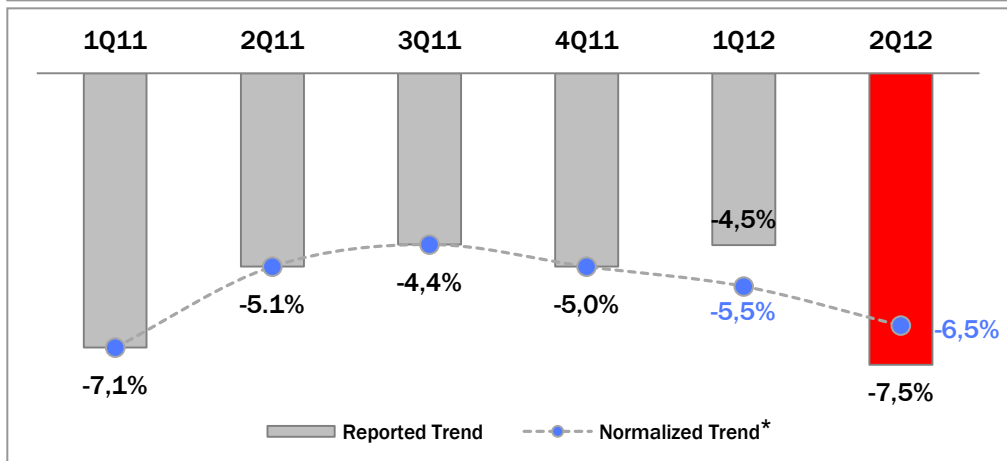
Consumer Segment Trend – YoY% change



Highlights

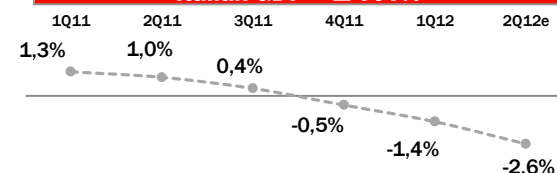
- ▶ Continued uptrend on Overall Consumer Service Revenues proves our strategy on Service and Value is winning
- ▶ Corporate Segment:
 - ▶ while SME/SOHO holds on KPIs (even improving on winbacks), adverse macro is causing lower flow of business
 - ▶ on Top Corporate and Public Segment, the attitude is still cautious

Corporate Segment Trend – YoY% change

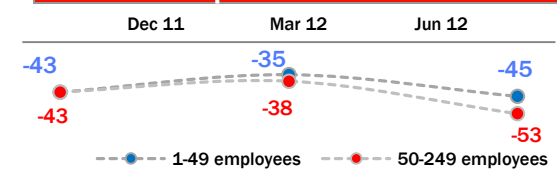


Highlights

Italian GDP – Δ YoY%



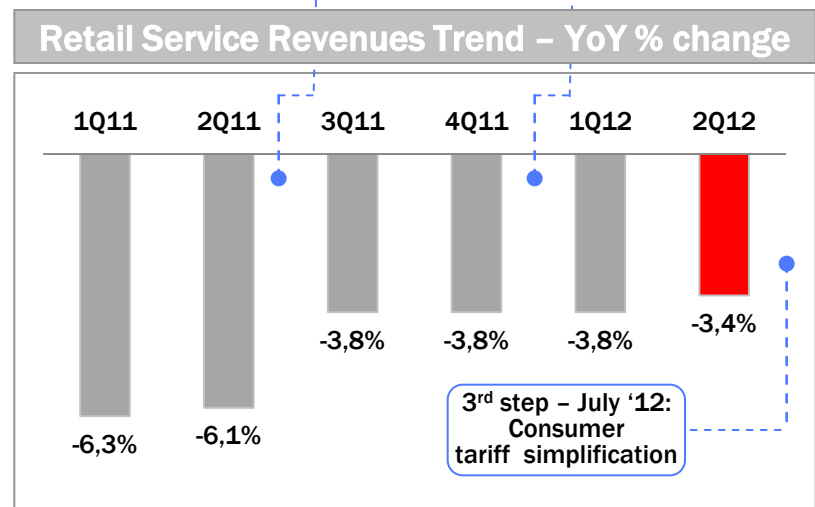
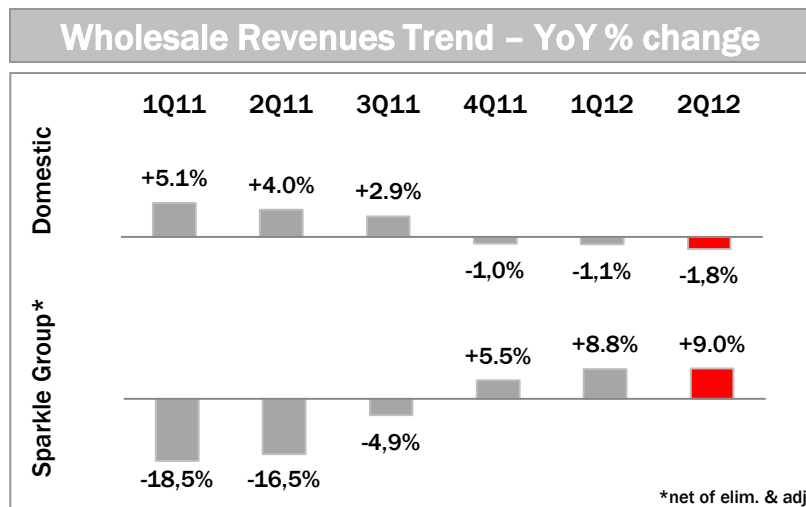
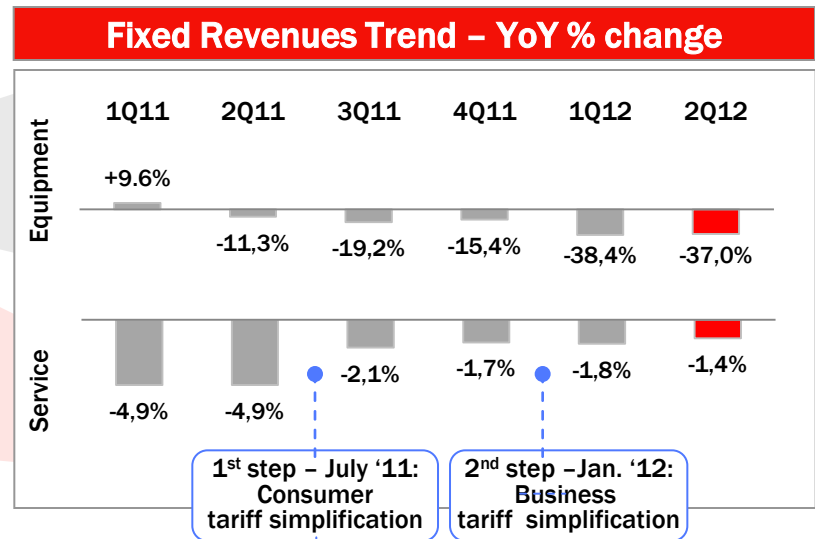
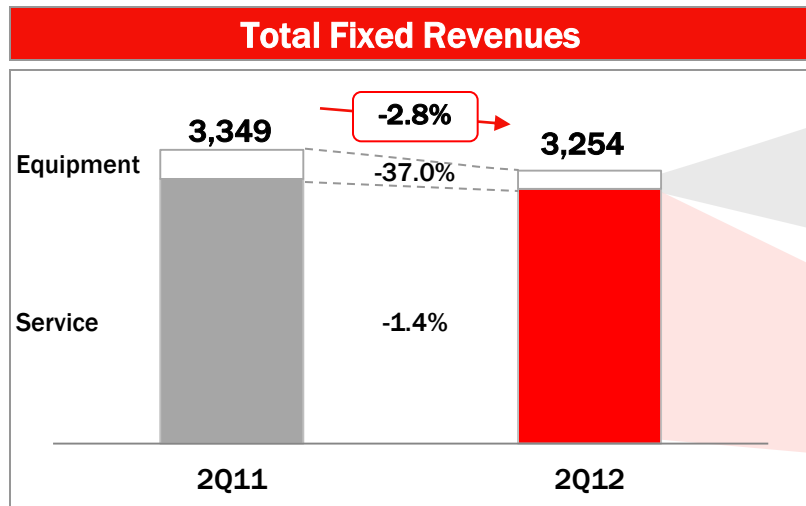
Corporate Confidence



Source: ISTAT and Prometeia

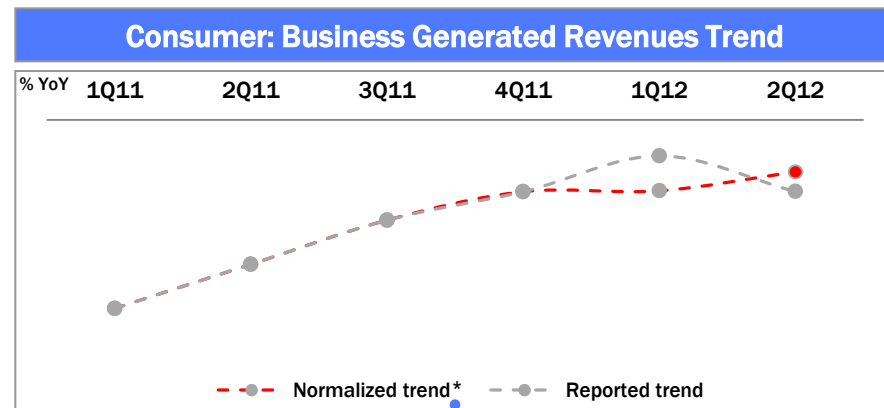
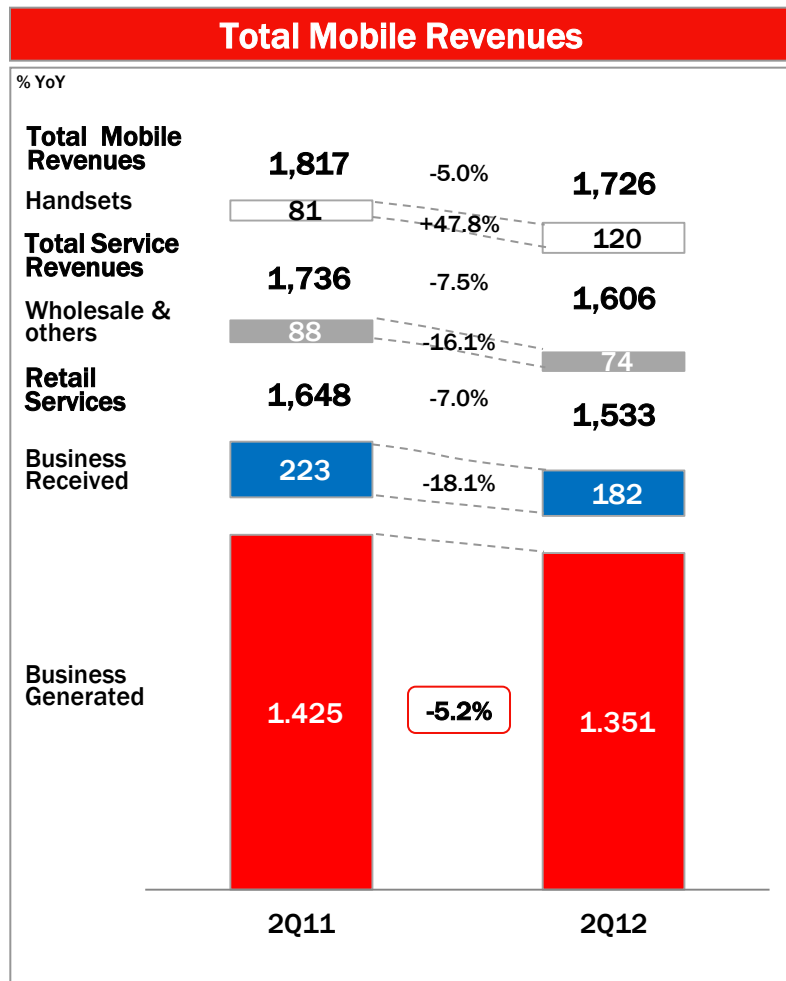
Domestic Fixed: Revenue Dynamics

Euro mln, Organic Data, %

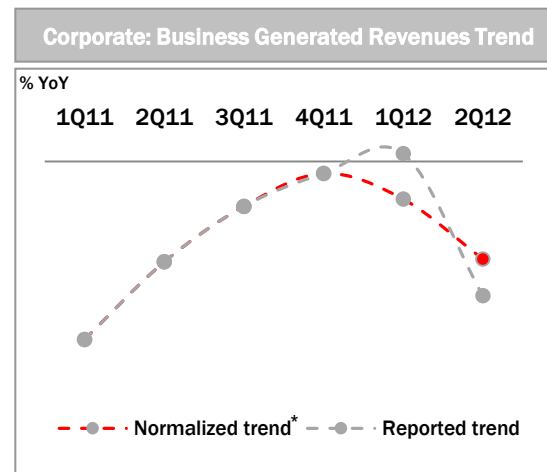


Mobile Revenues: 2Q12 Results at a Glance

Euro mln, Organic Data



Positive Normalized Trend of previous quarters confirmed



Large Corporate

- ▶ Stable CB and M/S (~70%) despite aggressive competition
- ▶ Contracts renewal drives lower prices

Soho & SME

- ▶ Slight CB erosion due to economy
- ▶ Price slightly down especially in SOHO

* Normalized data for bad weather and calendar discontinuity

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