Telecom Italia Group

Investor Meetings - June 2012

ALEX BOLIS – Head of TI Group Investor Relations
Safe Harbour

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Agenda

- Telecom Italia Group Overview
- 1Q12 Results
- Focus on Domestic Market
- Focus on UBB
- Financial Position and Group Targets
- Back-up
## 2011 Results: Group Key Figures

### Euro mln, Organic Data

<table>
<thead>
<tr>
<th></th>
<th>TI Group FY 11</th>
<th>Δ% yoy</th>
<th>Domestic FY 11</th>
<th>Δ% yoy</th>
<th>Brazil FY 11</th>
<th>Δ% yoy</th>
<th>Argentina FY 11</th>
<th>Δ% yoy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>29,958</td>
<td>+2.7%</td>
<td>19,033</td>
<td>-4.8%</td>
<td>7,343</td>
<td>+18.2%</td>
<td>3,220</td>
<td>+26.5%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>12,339</td>
<td>Flat</td>
<td>9,351</td>
<td>-3.9%</td>
<td>1,998</td>
<td>+10.7%</td>
<td>1,035</td>
<td>+24.1%</td>
</tr>
<tr>
<td><strong>EBITDA-CAPEX</strong></td>
<td>7,467</td>
<td>-0.4%</td>
<td>6,374</td>
<td>-3.7%</td>
<td>708</td>
<td>+20.7%</td>
<td>479</td>
<td>+23.3%</td>
</tr>
</tbody>
</table>

### Weight in TI Group

- **35%**
- **25%**

### Cash Generation for the Group

### Engine of Growth for the Group

*Revenues based on net contributions*
Market Leaders Across Our Footprint (March 2012)

**Domestic**
- Mobile: #1 position - 32.3 mln lines (34.9%)
- Fixed: #1 position - 14.46 mln accesses (66.2%)
- Broadband: #1 position - 7.1 mln accesses (52.7%)

**Brazil**
- Mobile: #2 position - 57.6 mln lines (26.8%)
- Fixed: #1 position - 14.46 mln accesses (66.2%)
- Broadband: #2 position - 1.56 mln accesses (35%)

**Argentina**
- Mobile: #2 position - 18.5 mln lines (33.6%)
- Fixed: #2 position - 4.14 mln accesses (47%)
- Broadband: #2 position - 1.56 mln accesses (35%)

A Competitive and still Healthy Market where TI remains the Leading Operator.

Successful “Challenger” strategy and leadership in growth. TIM re-gained the second position during 2011.

Customer base expansion across all segments, driven by mobile rebranding of Personal and the successful proposition of Arnet on broadband TV.
Topline Breakdown Across Core Markets

**Domestic**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>€Bn</td>
<td>16.7</td>
</tr>
<tr>
<td>Fixed</td>
<td></td>
<td>43.2%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>56.8%</td>
</tr>
</tbody>
</table>

**Retail Revenues by Technology**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>€Bn</td>
<td>16.7</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td>58.1%</td>
</tr>
<tr>
<td>Top Clients</td>
<td></td>
<td>21.0%</td>
</tr>
</tbody>
</table>

**Retail Revenues by Customer Segment**

**Brazil**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues by Technology</td>
<td>R$ Bn</td>
<td>16.5</td>
</tr>
<tr>
<td>Mobile</td>
<td>94.2%</td>
<td>94.3%</td>
</tr>
<tr>
<td>Fixed</td>
<td>5.8%</td>
<td>0.2% TIM Fiber 5.5% Intelig</td>
</tr>
</tbody>
</table>

**Argentina**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues by Technology</td>
<td>AR$ Bn</td>
<td>14.6</td>
</tr>
<tr>
<td>Mobile</td>
<td>68.1%</td>
<td>71.2%</td>
</tr>
<tr>
<td>Fixed</td>
<td>31.9%</td>
<td>28.8%</td>
</tr>
</tbody>
</table>

Historical «pure mobile» positioning
TI’s Domestic Market: the Growing Importance of Innovation

**Domestic Retail Revenues**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative</td>
<td>€16.7</td>
<td>€15.8</td>
</tr>
<tr>
<td>Traditional</td>
<td>€73.5</td>
<td>€76.9</td>
</tr>
</tbody>
</table>

**Fixed**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative</td>
<td>€9.7</td>
<td>€9.2</td>
</tr>
<tr>
<td>Traditional</td>
<td>€73.9</td>
<td>€72.4</td>
</tr>
</tbody>
</table>

- Broadband
- Web Contents
- ICT (products and services)

**Mobile**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative</td>
<td>€7.4</td>
<td>€6.9</td>
</tr>
<tr>
<td>Traditional</td>
<td>€84.6</td>
<td>€82.9</td>
</tr>
</tbody>
</table>

- Mobile browsing (Large & Small Screen)
- Contents (premium services, downloads, games, ringtones, Infotainment)
Longtime Leadership in Investments

**2000**
- 3G Spectrum Auction (TI cashout ~ 2.4€bn)

**2009**
- Intelig Acquisition (~ 400€m equivalent, by paper)

**2010**
- AES Atimus Acquisition (~ 700€m equivalent, by cash) and TIM Fiber launch
- TI acquired control of TEO’s holding, Sofora (no cash-out for TI), and full consolidation of TEO in TI accounts
- Successful Mobile Rebranding

**2011**
- 4G Spectrum Auction (TI cashout ~1,22€bn)
- In 11 years TI spent ~65€bn Capex at Group Level and ~47€bn in Domestic Market

**2012**
- Tim Fiber integration and LTE deployment
- Upgrade 3G network and deploy FTTC and content delivery network

**2013-14**
- Ultra-Broadband Deployment both on Fixed (FTTC) and Mobile (LTE + HSDPA+)

- Further large-scale support of mobile data via Smartphones, Tablets and Dongles.
- Turnaround strategy on handsets fueled double-digit growth on Small Screen Browsing
- Value-oriented innovative approach on FBB sustains market share and ARPU
- Fixed and Mobile UBB Investment Plan has taken off

- Sustained Traditional VAS growth (SMS and MMS)
- Fostered the uptake of Mobile Data, especially on Large Screen (dongles).
- Short LL distance enabled successful “Alice” ADSL strategy
- Moved to all-IP fixed network

Over 15€bn Group capex planned in 2012-14
Fully Exploit TI Multi-Country Businesses

- Italy – Proactively Manage for Cash Generation
- Brazil – Continue the Business Expansion
- Argentina – Managing Growth and Profitability

Enhance Free Cash Flow Generation

- Complete the Deleverage Program
- Sustainable Shareholders’ Remuneration
### Telecom Italia Group – FY 2012 and 2012-14 Plan Key Guidance

#### TI Group – FY 2012 Key Guidance

<table>
<thead>
<tr>
<th>Category</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>Stable</td>
</tr>
<tr>
<td>Ebitda</td>
<td>Broadly Stable</td>
</tr>
<tr>
<td>NFP Adj.**</td>
<td>~ 27.5 € bln</td>
</tr>
</tbody>
</table>

#### TI Group – 2012-14 Plan Key Guidance **

<table>
<thead>
<tr>
<th>Category</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ebitda-Capex cum ’12-’14</td>
<td>&gt;22 € bln</td>
</tr>
<tr>
<td>Capex cum ’12-’14</td>
<td>&gt;15 € bln</td>
</tr>
</tbody>
</table>
| NFP Adj. 2012-’14 | FY 2012: ~ 27.5 € bln  
|                   | FY 2013: ~ 25 € bln   
|                   | From FY 2014: < 2x Net Debt/Ebitda*** |

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*exchange rates 2011 (R$/€ 2.33; ARS/€5.74), excluding impact from non-organic items
** excluding Latam spectrum licences
*** reported figure
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TI Group Key Results

Euro mln, Organic data, %

**Revenues**

- Q11: 7,019
- Q12: 7,392
  - +373 M€ (+5.3%) on Revenues

**EBITDA**

- Q11: 2,951
  - +15 M€ (+0.5%)
- Q12: 2,966
  - +0.5%

**EBITDA-CAPEX**

- Q11: 2,055
  - -43 M€ (-2.1%)
- Q12: 2,012
  - -2.1%
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>

**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>-109 M€</td>
<td>-6.2%</td>
<td>-3.7%</td>
<td>-3.2%</td>
<td>-2.9%</td>
</tr>
</tbody>
</table>

**EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>1Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>49.5%</td>
<td>49.0%</td>
</tr>
<tr>
<td>Wireline</td>
<td>-78 M€</td>
<td>-3.4%</td>
</tr>
</tbody>
</table>

**EBITDA-Capex**

<table>
<thead>
<tr>
<th></th>
<th>1Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>1,611</td>
<td>1,607</td>
</tr>
<tr>
<td>Wireline</td>
<td>-4 M€</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>

% on Revenues

-40.7%
Italy: Continued Resilience in a Weak Macro Context

Continuous recovery also supported by a more rational competition and strong improvement in main KPIs.

Mobile data momentum sustained by high smartphones sales.

Broadband service revenues are showing growth, with a slight sequential improvement (+0.8% YoY).

TI market share on fixed accesses remains almost stable.
LatAm: Revenues and EBITDA 1Q12 YoY Trend

Euro mln, Organic Data

<table>
<thead>
<tr>
<th>Brazil</th>
<th>Argentina</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>EBITDA</td>
</tr>
<tr>
<td>1Q11</td>
<td>1Q12</td>
</tr>
<tr>
<td>1,619</td>
<td>1,928</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>1Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td></td>
<td>1Q11</td>
<td>1Q12</td>
</tr>
<tr>
<td>Argentina</td>
<td></td>
<td>1Q11</td>
<td>1Q12</td>
</tr>
<tr>
<td>Revenues</td>
<td></td>
<td>727</td>
<td>901</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td>248</td>
<td>289</td>
</tr>
<tr>
<td>% on Revenues</td>
<td></td>
<td>34.1%</td>
<td>32.1%</td>
</tr>
</tbody>
</table>

+309 M€ +19.1%
+174 M€ +24.0%
+60 M€ +13.5%
+41 M€ +16.6%
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Domestic Fixed: Resilient Revenue Dynamics

Euro mln, Organic Data, %

Fixed Revenues Trend – YoY % change

<table>
<thead>
<tr>
<th>1Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>-4.5%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Equipment</td>
<td>+9.8%</td>
<td>-15.3%</td>
</tr>
<tr>
<td>Services</td>
<td>-4.9%</td>
<td>-1.9%</td>
</tr>
</tbody>
</table>

Wholesale Revenues Trend – YoY % change

<table>
<thead>
<tr>
<th>1Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>+5.0%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>Sparkle Group*</td>
<td>-18.5%</td>
<td>+5.5%</td>
</tr>
</tbody>
</table>

Retail Service Revenues Trend – 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>-6.3%</td>
<td>-6.0%</td>
<td>-3.8%</td>
<td>-4.0%</td>
<td>-3.8%</td>
</tr>
</tbody>
</table>

*Gross of Elim. & Adj.

Tariff simplification process begins
Domestic Fixed: Value-driven Focus on Broadband

Broadband Retail ARPU

Euro/month/line

-0.6%  +0.3%

18.4  18.2  18.3

1Q11  4Q11  1Q12

BB Service Revenues

% YoY

+0.3%  +0.5%  +0.8%

1Q11  4Q11  1Q12

Results confirm TI’s Value Strategy is working:

- QoQ ARPU increased
- BB Service Revenues are up

TI Retail – Flat Customers (%)

87%  87%  88%

1Q11  4Q11  1Q12

TI Retail – Premium CB Growth

+20%
SuperInternet Growth

SuperInternet is a bolt-on option enabling speed increase (up to 1Mb/s in upload, 10 or 20 Mb/s in download) against a monthly fee increase starting from € 4/month.

- Usage confirms that the product has intercepted a real need of higher bandwidth and speed
- SuperInternet allows TI to meet the growing demand of bandwidth by increasing ARPU and customer satisfaction
- In 1Q, customers with a “Gold Offer” (SuperInternet or 20 Mega) more than doubled Y-o-Y. SuperInternet customers alone reached around 400k.
- Proactive customer care approach: the offer is sold only to clients who can fully benefit of advertised high speeds.

Consistent net adds growth
Consumer BB ARPU is increasing
Domestic Fixed: Focus on Pay TV

Cubovision Ecosystem

- TI’s OTT TV offer based on proprietary and Consumer Electronics “off-the-shelf” devices (e.g. Smart TV)
- Affordable and valuable video offer (€9.99/m, 6-month promo €4.42/m – sold in bundle with SuperInternet: 1month free + €8.42/m for 1 year) through a new approach based on:
  - subscription VOD experience with more than 25 thematic channels
  - unique Customer Experience among devices
  - distinctive services (on-demand feature and “Anycast” fixed & mobile entertainment)

Smart TV CB

- 420K Smart TV Customers, of whom at least 170K on Cubovision platform (including Cubovision proprietary box and Cubovision widget on Connected TV & Blu-Ray)
- Advanced negotiations for expanding Cubovision enabled devices into games console and other Connected TVs
Mobile Revenues: 1Q12 Results at a Glance

Euro mln, Organic Data

**Total Mobile Revenues**

<table>
<thead>
<tr>
<th>Total Mobile</th>
<th>Handset revenues</th>
<th>Service revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,679</td>
<td>45</td>
<td>1,634</td>
</tr>
<tr>
<td>-29%</td>
<td>+71.1%</td>
<td>-3.7%</td>
</tr>
<tr>
<td>Normalized (*)</td>
<td>~-2.5%</td>
<td>~-4.5%</td>
</tr>
<tr>
<td>1,650</td>
<td>77</td>
<td>1,573</td>
</tr>
</tbody>
</table>

Mobile Handsets Revenues Trend – 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></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+26.2%</td>
<td>+34.0%</td>
<td>+96.5%</td>
<td>+71.1%</td>
<td></td>
</tr>
<tr>
<td>22.4%</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Mobile Service Revenues Trend – 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></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-10.1%</td>
<td>-7.0%</td>
<td>-5.5%</td>
<td>-4.1%</td>
<td>-3.7%</td>
</tr>
<tr>
<td>-11.7%</td>
<td>-8.7%</td>
<td>-7.5%</td>
<td>-7.1%</td>
<td></td>
</tr>
</tbody>
</table>

(*) Leap year
Consumer Mobile - The Value of the Options

Community Users (*)
Growth Continues

+1.4 mln

4.1 mln 4.4 mln 4.6 mln 5.5 mln
1Q11 2Q11 3Q11 Apr-12

Increasing Loyalty

Churn rate

Customers w/o options
Customers with options

Neutralizing CB Cannibalization

△ Outgoing ARPU exAnte/exPost activation

Avg €/month

TIMx

Oct’10 May’11 Feb’12

* TIMx, TIM Young and Tutto Compreso Ricaricabile
Domestic Mobile – Surfing the Data Wave

Increasing Smartphone Penetration in All Segments

- **Operating Systems on TIM’s Network - The Android Growth**
  - April'10: 0.5%
  - April'11: 5%
  - April'12: 20%

- **Smartphone Penetration on Customer Base**
  - Feb'10: 4%
  - Feb'11: 8%
  - Feb'12: 15%

Further room for growth

- **May 2012 Dealer Convention**
  - ~1.3 mln

Smartphones Increasingly Service-Driven

- **Data Bundle users and Renewal Rate**
  - April'11: 79%
  - April'12: 87%

- **Peak of traffic on the average day of the second week of each month**
  - Dec'11: 66%
  - Jan'12: 67%
  - Feb'12: 58%
  - Mar'12: 69%
  - Apr'12: 70%

~20%
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Strengthen the Network for a Technological Leadership

Capex Allocation

- Network Capex
  - Customer Service & Traffic Driven: 52%
  - Network Development: 13%
  - Network Maintainance: 35%

2011 vs 2014
- Optimize Network Investment to maintain excellent quality in TLC services
- Increase the effort in Network Development and Innovation to confirm Technological Leadership and grant the Best Experience on the Net

UltraBB Roadmap

- NGAN Roll-out
  - 2014
    - 100 Cities (including all main ones) covered through FTTH&Cab Technology
      - ~¾ of Housing units passed with >30 Mb/s Speed

- Mobile Coverage
  - 2014
    - More than 40% of population covered by LTE
  - 2011
    - HSPDA 42 Mbps
  - 2014
    - LTE

2012-2014 Plan
Mobile Technological Evolution while Protecting Profitability

Increasing speed availability

Strengthening HSDPA and LTE introduction

<table>
<thead>
<tr>
<th>Year</th>
<th>HSDPA</th>
<th>LTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3.6</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>7.2</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Roadmap 42MB coverage

- January 2012
- June 2012

The advantages of 42MB

With PREMIUM offers Customers have an effective perception of Higher Speed

Offer based on the Value for the Customer

<table>
<thead>
<tr>
<th>Mass Market</th>
<th>HSDPA</th>
<th>Up to 14.4 Mbps</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Customers</td>
<td>HSDPA/LTE</td>
<td>Up to 42 Mbps → 100 Mbps</td>
<td>YES</td>
</tr>
</tbody>
</table>

- Quality (everywhere/every time)
- Pricing
- Speed
- Quality
- Priority
Ultra Broadband in Motion

**Fixed**

- **100** cities FTTCab Plan begins, with **30** of them to be connected by 1H2013. 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
The Context

- European Digital Agenda Main Objectives:

  | Basic BB | 2013 | >2 Mb/s |
  | Ultra BB | 2020 | >30 Mb/s |
  | 100 Mb/s |

- Demand status in Italy:

  | Low ICT culture | Percentage of users that have never used a PC |
  |                 | Italy | ~40% |
  |                 | Avg EU-5 | 10-30% |

  | Low e-Government level | Global Rank | E-Government Index |
  |                        | Italy | 0 | 0.25 | 0.5 | 0.75 | 1 |
  |                        | #38  |  |  |  |  |  |
  |                        | #15  | Germany | | | | |
  |                        | #10  | France | | | | |
  |                        | #9   | Spain | | | | |
  |                        | #4   | UK | | | | |

  | Low Broadband Penetration | Broadband penetration (as % of tot. accesses) |
  |                          | Italy | 52% |
  |                          | Avg EU-37 | 67% |

Source: Eurostat 2010
Source: ONU - E-Government Survey- 2010
Source: Eurostat 2011
Specific advantages for TI from FTTC

Improved Performances

- Lower Average Length of Local Loop has been a distinctive advantage for ADSL. Now, short Sub-Loop Distance (in avg. below 400mt) guarantees highest speed for a FTTC solution.
- No impact on legacy services (no switch-off)

Capex Optimization

- Utilization of a relevant portion of existing TI’s Access Network
- Fix and Mobile UBB Synergy
- Leveraging on past investments
- Ducts/Passages already existing in large part of targeted cities
FTTC is frequently preferred by EU incumbents

Best incumbent’s choice (where network structure allows)

- Vectoring technology enhances FTTC speed up to 100 Mbps in downstream and up to 15 Mbps in upstream (considerably above current market demand and existing services)
- xDSL still evolving (accelerated DSL includes also: Bonding, Phanttom, G.Fast)
- Advantages in Implementation:
  - Rapid Deployment
  - More Coverage
  - Lower Invasiveness

More value for money

- Exploiting and maximizing value of existing access infrastructure (copper)
- The cost for a FTTC solution is a fraction of FTTH’s
- Adequate match for expected demand
- «FTTH ready» on a selective basis approach (market-driven)
TI’s 2-step strategy on NGAN

Step 1: FTTCab

- 30 - 100 Mbps
- Use of existing copper VDSL2 network
- New elements: fiber secondary network, fiber deployment in the customer’s building, new modem in the customer’s house

(Possible) Step 2: FTTH

- 100 Mbps – 1 Gbps
- Use of FTTCab primary network
- Deployment costs > 3x FTTCab

New Light Cabinet

Use of existing network elements:
- Cable ducts
- Cabinets
- Copper SLL
TI Fixed UBB Plan: 2012-2014 and beyond

2012 - 1H13

30 cities

About 60% cities target in the North (i.e. Milan, Turin, Genoa); NewCo Trentino NGN for Trento region

About 20% cities located in the Central part of the country (i.e. Rome, Florence)

2014

100 cities

Driver for NGAN Plan:

- Density of population;
- Leverage on existing infrastructure (i.e. ducts already in place in most of 100 targeted cities)

within 2020

About 20% cities located in the South (i.e. Naples, Bari, Palermo)

Moving towards DAE Targets
TELECOM ITALIA GROUP

Agenda

- Telecom Italia Group Overview
- 1Q12 Results
- Focus on Domestic Market
- Focus on UBB
- Financial Position and Group Targets
- Back-up
Robust Liquidity Margin and Well-Distributed Debt Maturities

Group Liquidity Position: € 6.16 bln
Undrawn Portion of Facility/Committed: € 7.00 bln
Group Liquidity Margin: € 13.16 bln

Within 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | Beyond 2017 | Total M/L Term Debt
---|---|---|---|---|---|---|---
689 | 1,652 | 1,599 | 1,264 | 731 | 865 | 1,966 | 25,257
2,479 | 250 | 5,237 | 6,067 | 3,032 | 2,765 | 11,357 | 35,884 (*)

(*) € 35,884 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 805 mln) and current liabilities (€ 824 mln), the gross debt figure of € 37,513 mln is reached. N.B. Debt maturities are net of € 646 mln (face value) of repurchased own bonds (of which € 354 mln related to bonds due in the next 24 months).
**Focus on new FSF maturing 2017**

### Facility Description

| Facility Amount | € 4,000,000,000 |
| Purpose         | General Corporate Purposes |
| Signing Date    | 24-5-2012 |
| Forward Start Date | 1-8-2014 (i.e. current 8 bln RCF maturity date) |
| FSF Maturity Date | May 2017 |

### Parties & Economics

| Borrower         | Telecom Italia S.p.A. |
| Co-ordinators    | Banca IMI, Barclays Capital |
| Bookrunners      | Banca IMI, Barclays, BBVA, Banco Santander, Bank of Tokyo Mits, BNP Paribas, Citi, Credit Agricole, Deutsche Bank, ING, JPMorgan, Natixis, RBS, Société Générale, UniCredit |
| Margin           | 250 bps over Euribor for BBB rating |
| Commitment Fee   | 40% of the margin, equal to 100 bps for BBB rating |
| Utilisation fee  | nil for utilisation < 25%; 25 bps for utilisation >25% < 50%; 50 bps for utilisation >50% < 75%; 75 bps for utilisation >75% |
New 1.5 bln € dual tranche bond

- On June 11, TI issued a two tranche Euro fixed rate bond, tenor 3 year and 6 and a half year, for a total of Euro 1.5 billion offered to institutional investors.

- The average yield of the issue stands at 5.462%, in line with the Group’s average cost of debt.

3 year Tranche
Amount: Euro 750 million
Settlement date: 15 June 2012
Maturity: 15 June 2015
Coupon: 4.625%
The actual yield to maturity is 4.74%, yield of 378 basis points above the reference rate (mid swap).

6 and 1/2 year Tranche
Amount: Euro 750 million
Settlement date: 15 June 2012
Maturity: 14 December 2018
Coupon: 6.125%
The actual yield to maturity is 6.184%, yield of 473 basis points above the reference rate (mid swap).
2011-2013 Deleverage Targets Confirmed

Cash Flow Generation (EBITDA- Capex)

- Latam: ~20%
- Domestic: ~80%
- Cum. ‘12-'14: >22 Bln €

Net Financial Position Adjusted**

- Euro Bln
  - 2007: 35.9
  - 2011: 30.4
  - 2012: ~27.5
  - 2013: ~25

- 2012 and 2013 targets confirmed
- Financial Discipline
- New Dividend Policy

*Organic: same perimeter, 2011 FX rates, excluding spectrum licences acquisitions.
** Excluding Latam spectrum licences acquisitions.
Agenda

- Telecom Italia Group Overview
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Telecom Italia Group: Shareholder Structure

- Generali: 30.58%
- Intesa Sanpaolo: 11.62%
- Mediobanca: 11.62%
- Telefonica: 46.18%
- Telco S.p.A.: 22.39%

- Telecom Italia: 77.71%
- Telecom Media: 66.68%
- Telecom: 22.7%
TIM Brasil Shareholder Structure
TELECOM ITALIA GROUP

Telecom Argentina Shareholder Structure

Los W 32,0%

TI 32.5% 100,0% 68.0%

TI Int. 35.5%

Sofora

Pfd A shares(1)

Nortel 51.04% econ. 92.99% voting

Public 43.21% econ. 43.21% voting

Employees (PPP Class C) 0.47% econ. 0.47% voting

Tierra Argentea

TEO

TI Economic Interest: 22.7%

(1) Considering the payment of the dividends due for the previous years, Nortel’s Preferred A Shares will lose their voting rights.
a) Ensure Delivery of Debt Reduction:
- 2012: 27.5 € bln
- 2013: 25.0 € bln

b) Dividend Progression after meeting Debt Targets

Worsening in Italy’s Economy and Ratings prioritizes the De-Risking of TI
Well Diversified and Hedged Debt

Total Gross Debt Net of Adjustment: Euro 37,513 mln

- Gross debt: 37,513
- Financial assets: (7,201)
  - of which C & CE and marketable securities: (6,158)
    - C & CE: (5,492)
    - Marketable securities: (666)
      - Italian Government Securities: (527)
      - Other: (159)
- Net Financial Position: 30,312

Maturities and Risk Management

- Average debt maturity: 7.32 years (bond only 8.38 years)
- Fixed rate portion on gross debt approximately 72.4%
- Around 47% of outstanding bonds (nominal amount) is denominated in USD, GBP and YEN and is fully hedged

Cost of debt: ~5.5%

Net Financial Indebtedness is adjusted by 667 €/mln.

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 2.545 €/mln (of which 789 €/mln on bonds);
- the impact on Financial Assets is equal to 1.878 €/mln.
Therefore, the Net Financial Indebtedness is adjusted by 667 €/mln.
Mobile Termination Rates Italy & Brazil

### Italy
- New MTR glide path defined, starting from July 1\(^{st}\), 2012

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>07/2012</th>
<th>01/2013</th>
<th>07/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>€/min</td>
<td>6.3</td>
<td>5.3</td>
<td>3.5</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>H3G</td>
<td>TI/Vod/Wind</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Brazil
- The MTR glide path in Brazil started from March 1\(^{st}\)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>01/03/2012</th>
<th>01/03/2013</th>
<th>01/03/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>R$/min</td>
<td>42.7</td>
<td>36.9</td>
<td>33.4</td>
<td>31.2</td>
</tr>
</tbody>
</table>

- AGCOM Decision 621/11/CONS challenged before Administrative Court by both Vod/Win/H3G and fixed alternative operators. TI appealed only against asymmetry for H3G
TIM Brasil Market Share

Prepaid CB
- Net: 2,786, +74%
- Gross: 8,917, +17%

Mobile Market Share
- Vivo: 26.0%, 26.8%
- Claro: 25.3%, 24.9%
- Oi: 25.5%, 24.6%

Customer Base ΔYoY
- Vivo: +18%, +20%
- TIM: +17%, +17%
- Claro: +15%, +16%
- Oi: +15%, +10%

1st in YoY CB growth for 7 Quarters
## Brazil Spectrum Auction – TIM Brasil assignment

### Coverage Obligations 450 MHz:
- 30% municipalities by June’14
- 60% municipalities by Dec’14
- 100% by Dec. 2015

### Coverage Obligations 2.5 GHz:
- all cities where Confederation Cup will be played by April’13
- all cities where World Cup soccer matches will be played by December’13
- cities >=500k pops by May’14
- cities >=200k pops by Dec’15
- cities >=100k pops by Dec’16
- cities 30k-100k pops by Dec’17

### Coverage Band Minimum Price Bid Price Premium (%)

<table>
<thead>
<tr>
<th>Type</th>
<th>Coverage</th>
<th>Band</th>
<th>Minimum Price (R$)</th>
<th>Bid Price (R$)</th>
<th>Premium (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type B</td>
<td>National</td>
<td>450 MHz + V1</td>
<td>315,096,000.00</td>
<td>340,000,000</td>
<td>7.9</td>
</tr>
<tr>
<td>Type D</td>
<td>AR 92 (complement)</td>
<td>P (10MHz+10MHz)</td>
<td>1,200,000.00</td>
<td>1,200,000</td>
<td>0</td>
</tr>
<tr>
<td>Type D</td>
<td>AR 31 (complement)</td>
<td>P (10MHz+10MHz)</td>
<td>10,633,000.00</td>
<td>10,633,000</td>
<td>0</td>
</tr>
<tr>
<td>Type D</td>
<td>AR 91 (complement)</td>
<td>P (10MHz+10MHz)</td>
<td>5,109,000.00</td>
<td>5,109,000</td>
<td>0</td>
</tr>
<tr>
<td>Type D</td>
<td>AR 21 (complement)</td>
<td>P (10MHz+10MHz)</td>
<td>17,025,000.00</td>
<td>17,877,000</td>
<td>5</td>
</tr>
<tr>
<td>Type D</td>
<td>AR 61 (complement)</td>
<td>P (10MHz+10MHz)</td>
<td>3,171,000.00</td>
<td>3,366,000</td>
<td>6.15</td>
</tr>
<tr>
<td>Type D</td>
<td>AR 41 (complement)</td>
<td>P (10MHz+10MHz)</td>
<td>4,053,000.00</td>
<td>4,053,000</td>
<td>0</td>
</tr>
</tbody>
</table>

Total cost: 356,287,000.00

382,238,000

Equal to ~147 mln €*

*FX Rate Eur/BRL 2.6 as of 13/06/12
TA Market Share

**TEO vs. market growth**

- **Million of lines**
  - **2010**: 50.9 (TEO), 34.5 (Others)
  - **2011**: 54.5 (TEO), 36.3 (Others)
  - **1Q11**: 51.4 (TEO), 34.5 (Others)
  - **1Q12** (projected): 55.2 (TEO), 36.7 (Others)

**National Market share**

- **2010**: 32.1%
- **2011**: 33.4%
- **1Q11**: 32.9%
- **1Q12** (projected): 33.6%

Note: Argentinian operation only – does not include trunking subscribers. Source: Market estimates of the main providers in the industry for total subscribers.

**Evolution of Lines in Service**

- **2010**: 4,107,000
- **2011**: 4,141,000
- **1Q11**: 4,110,000
- **1Q12**: 4,138,000

**Evolution of Accesses**

- **2010**:
  - **TEO**: 3,911,000
  - **Others**: 2,531,000
  - **Arnet**: 1,380,000
- **2011**:
  - **TEO**: 4,441,000
  - **Others**: 2,891,000
  - **Arnet**: 1,550,000
- **1Q11**:
  - **TEO**: 4,009,000
  - **Others**: 2,602,000
  - **Arnet**: 1,407,000
- **1Q12**:
  - **TEO**: 4,526,000
  - **Others**: 2,960,000
  - **Arnet**: 1,566,000

**National Market share**

- **2010**: 35%
- **2011**: 33%
- **1Q11**: 35%
- **1Q12** (projected): 35%
Italy: Mobile Market Share (March 2012)

Source: Agcom
Italy: Fixed Access Market Share (March 2012)

Source: Agcom
Italy: Fixed Broadband Market Share *(March 2012)*

Source: Agcom
The New Modem: The Core of TI’s Nuvola Domestica

The New Modem it’s a gate for a very evolutive performances both on ADSL and FIBER/VDSL technologies and it’s the enabler for all the new services of Nuvola Domestica.
TELECOM ITALIA GROUP

Efficiency Processes Re-engineering

- Caring & Sales Force Model Rationalization
- Unitary Cost reduction vs Volumes increase
- Right-sizing & Total Cost Control

Commercial Costs
- Slightly Reduction

Industrial Costs
- Stable

Personnel
- Reduction

Domestic Opex
- > -1 Bln €

Efficiency on Opex
- New Plan: -0.5 Bln € in 2012-2013
- Old Plan: -0.2 Bln € in 2012-2013

Total Efficiency on Cash Cost ‘12-’14 1.0 Bln €
## TI Domestic Main 2012 Trends

### Revenues
- Macro-economic pressure, traditional services commoditization and MTR new glide path suggest a challenging scenario on consumer and corporate spending and revenues trend, partially offset by browsing and innovative services increase.
- For 2012, we expect a mid-single digit decrease on Top Line yoy trend.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues 2011 (Euro bln)</th>
<th>Revenues 2012 (Euro bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>2012</td>
<td>Almost Stable</td>
<td>Almost Stable</td>
</tr>
</tbody>
</table>

### EBITDA
- Cost control: efficiency measures and operational business model optimization on caring and go to market will counter margin erosion.
- For 2012, we expect an EBITDA trend similar to Revenues one, with a broadly stable EBITDA margin.

<table>
<thead>
<tr>
<th>Year</th>
<th>EBITDA 2011 (Euro bln)</th>
<th>EBITDA 2012 (Euro bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>19.03</td>
<td>19.03</td>
</tr>
<tr>
<td>2012</td>
<td>Negative mid-single digit yoy trend</td>
<td></td>
</tr>
</tbody>
</table>

### Capex
- Strengthen the Network infrastructure with a strong focus on new technologies and services, to support data wave of growth, maintaining quality and performance excellence as distinctive asset.

<table>
<thead>
<tr>
<th>Year</th>
<th>Capex 2011 (Euro bln)</th>
<th>Capex 2012 (Euro bln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3.0</td>
<td>3.0</td>
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<td>Almost Stable</td>
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