PRESS RELEASE

Telecom Italia Board of Directors examines and approves the Group First Half Financial Report at 30 June 2012

- REVENUES: €14,793 MILLION, +3.1% IN ORGANIC TERMS COMPARED WITH H1 2011 (+1.7% REPORTED)

- NET INCOME: €1,245 MILLION, A 3.3 BILLION IMPROVEMENT COMPARED WITH H1 2011 (-€2,042 MILLION) WHICH DISCOUNTED THE CORE DOMESTIC GOODWILL WRITE-DOWN; + 9.2% EXCLUDING THE WRITE-DOWN

- EBITDA: €5,859 MILLION, -1.0% IN ORGANIC TERMS COMPARED WITH H1 2011 (-1.6% REPORTED)

- EBIT: €3,205 MILLION, +2.4% IN ORGANIC TERMS COMPARED WITH H1 2011

- ADJUSTED NET FINANCIAL POSITION: €30,360 MILLION, DOWN €800 MILLION ON 30 JUNE 2011 AND €54 MILLION LOWER THAN AT 31 DECEMBER 2011, AFTER PAYMENT OF OVER €1 BILLION IN DIVIDENDS

BERNABE': "IN A COMPLEX MACROECONOMIC CONTEXT, THE SOLID FIRST HALF RESULTS ALLOW US TO CONFIRM OUR FULL YEAR GUIDELINES. COMPARED WITH H1 2011, WE CAN REPORT A RETURN TO PROFIT AND A SIGNIFICANT REDUCTION OF INDEBTEDNESS FOR AROUND €800 MILLION, CONFIRMING THE SUSTAINABILITY OF THE DIVIDEND POLICY PREVIOUSLY ANNOUNCED. FINALLY, RECENT BOND ISSUES CONTRIBUTED TO MAINTAINING A LIQUIDITY MARGIN TO COVER OUR DEBT MATURITY UNTIL 2014."

- ANDREA MANGONI APPOINTED MANAGING DIRECTOR FOR ACTIVITIES IN SOUTH AMERICA

- SHAREHOLDERS' MEETING CALLED FOR 17 OCTOBER 2012

***

The results of the Second Half of 2012 will be illustrated to the financial community during a conference call scheduled for 2 pm today (Italian time). Journalists may listen to the conference call, without asking questions, by calling: +39 06 33168.
Those unable to connect live may follow the presentation until Thursday 9 August 2012 by calling: +39 06 334843 (access code 437715#).

***

Telecom Italia
Press Office
+39 06 3688 2610
www.telecomitalia.com/media

Telecom Italia
Investor Relations
+39 02 8595 4131
www.telecomitalia.com/investorrelations

In addition to the conventional financial performance indicators contemplated under IFRS, Telecom Italia Group uses certain alternative performance measures in order to give a clearer picture of the trend of operations and the company's financial position. These are: EBITDA; EBIT; organic difference in revenues, EBITDA and EBIT; accounting and adjusted net financial debt. For further details please see the attachment "Alternative performance measures".
The Telecom Italia Group First Half Financial Report at 30 June 2012 was drafted in accordance with art. 154–ter (Financial Reporting) of Leg. Decree 58/1998 (Unified Finance Law - TUF) and subsequent amendments and supplements and prepared in accordance with the international accounting principles issued by the International Accounting Standards Board and approved by the European Union (IFRS), as well as the provisions of art. 9 of Leg. Decree 38/2005.
The accounting and consolidation principles adopted in the preparation of the Interim Statements at 30 June 2012 were consistent with those used for the Consolidated Annual Statements at 31 December 2011, with the exception of certain new principles/interpretations adopted by the Group – which have no impact on the Interim Consolidated Statements at 30 June 2012 – and the early and retrospective adoption of the new version of IAS 19 (employee benefits). Following the adoption of this principle the data for comparable periods have been duly restated. Note that the section "Outlook for the 2012 financial year", contains forward-looking statements about the Group's intentions, beliefs and current expectations with regard to its financial results and other aspects of operations and strategies. Readers should not place undue reliance on such forward-looking statements, as final results may differ significantly from those contained in the statements owing to a number of factors, the majority of which are beyond the Group's control.
Finally, please note that the limited review work by our independent auditors on the Telecom Italia Group Interim Consolidated Financial Statements at 30 June 2012 has not yet been completed.

Milan, 2 August 2012

The Telecom Italia Board of Directors, chaired by Franco Bernabè, yesterday examined and approved the Group's First Half Financial Report at 30 June 2012.

Franco Bernabè commented: "The company returned to solid earnings in the first half 2012 despite the worsening of the economic conditions in Italy and the slowdown in Latin America."

"Even more importantly we reduced debt by €800 million from 30 June 2011, down to €30.4 billion at the end of second quarter of 2012, after outlays for dividends exceeding €1 billion. Moreover, in an extremely difficult credit climate for the majority of Italian firms, Telecom Italia successfully placed bonds for €1.5 billion, maintaining the liquidity margin at sufficient levels to cover our debt maturities until 2014".

"Important results were achieved in the first half of 2012 on the domestic front, in particular in the Consumer segment, while the SME area has suffered from the tough market conditions, aggravated by the credit squeeze."

"In Latin America too, despite an economic climate that reflects the global slowdown, we can report positive results. In Brazil, our constant commitment to network expansion, confirmed by the recent purchase of the 4G frequencies, ensures growth for our local activities. In Argentina, as Mobile Number Portability was introduced, we continued to invest in the repositioning of our mobile offering, which will deliver benefits in the future. Andrea Mangoni's appointment as Managing Director for South American business is a signal of the Group's strong attention to these strategic markets and is intended to ensure further support for their growth."

Bernabè concluded: "Although the macroeconomic and financial picture does not look likely to improve in the coming months either in Italy or Latin America, we will not allow it to threaten our stated objectives, above all debt reduction. We shall exploit all the flexibility that the various levers of management allow, in the knowledge that the exceptionally complex situation which we are currently facing demands not only coherence and rigour, but also the ability to find new directions to continue to pursue the growth path which, with the latest planned investments, we have embarked upon."

THE MAIN VARIATIONS TO THE TELECOM ITALIA GROUP CONSOLIDATION AREA

Entries in the consolidation area:

- *TIM Fiber – Brazil: On 31 October 2011, acquisition of 100% of Eletropaulo Telecomunicações Ltda and 98.3% of AES Communications Rio de Janeiro S.A., telecommunications infrastructure operators in the states of San Paolo and Rio de Janeiro, now renamed TIM Fiber SP and TIM Fiber RJ respectively.*
- *4GH Group - Domestic: On 27 July 2011 the 4G Holding group (retail sales of telephony equipment) entered the consolidation area following the purchase of 71% of the ordinary shares of 4G Holding S.p.A. which in turn holds 100% of 4G Retail S.r.l.*

Exits from the consolidation area:

- *Loquendo – Domestic: On 30 September 2011 Loquendo S.p.A. was sold and consequently excluded from the consolidation perimeter.*

TELECOM ITALIA GROUP

Revenues in H1 2012 amounted to **€14,793 million**, up 1.7% from €14,543 million in the first half of 2011 (+€250 million). In terms of organic variation, consolidated revenues grew by 3.1% (+€443 million).

In detail, the organic variation in revenues is calculated by excluding:

- the effect of foreign exchange rate fluctuations of -€179 million, mainly regarding the Brazil Business Unit (-€185 million) and to a largely negligible extent the Argentina Business Unit (-€3 million);
- the effect of changes to the consolidation area (-€5 million), due to sale of Loquendo (Domestic BU) on 30 September 2011;
- the effect of a €9 million reduction in revenues due to the settlement of business disputes with other carriers.

Revenues, broken down by business unit, are as follows:

(millions of euros)	H1 2012		H1 2011		Change		
		% of total		% of total	absolute	%	% organic
Domestic	9,048	61.2	9,335	64.2	(287)	*(3.1)*	*(3.0)*
Core Domestic	*8,570*	*57.9*	*8,932*	*61.4*	*(362)*	*(4.1)*	*(3.9)*
International Wholesale	*709*	*4.8*	*642*	*4.4*	*67*	*10.4*	*8.9*
Brazil	3,733	25.2	3,499	24.1	*234*	*6.7*	*12.6*
Argentina	1,823	12.3	1,511	10.4	312	*20.6*	*20.9*
Media, Olivetti and Other Operations	290	2.0	343	2.3	(53)		
Adjustments and eliminations	*(101)*	*(0.7)*	*(145)*	*(1.0)*	*44*		
Total Consolidated	**14,793**	**100.0**	**14,543**	**100.0**	**250**	**1.7**	**3.1**

EBITDA came to **€5,859 million**, down €97 million (-1.6%) on the previous-year period, with EBITDA margin of 39.6% (41.0% in H1 2011). EBITDA was affected primarily by the prices of goods and services. In organic terms EBITDA decreased by €59 million (-1.0%) with respect to the corresponding period of the previous year, though 1.7 pp lower in proportion to revenues (39.8% in H1 2012 compared with 41.5 % in H1 2011). This was due to the greater weight of South American revenues, where margins are lower than for Domestic Business, and to higher mobile handset sales, aimed at a greater penetration of data services.

The following table shows a breakdown of EBITDA and EBITDA margin by business unit:

(millions of euros)	H1 2012	% of total	H1 2011	% of total	Change absolute	Change %	Change % organic
Domestic	4,406	75.2	4,527	76.0	(121)	*(2.7)*	(3.3)
% of Revenues	*48.7*		*48.5*			*0.2 pp*	*(0.2) pp*
Brazil	987	16.8	948	15.9	39	*4.1*	10.0
% of Revenues	*26.5*		*27.1*			*(0.6) pp*	*(0.6) pp*
Argentina	550	9.4	506	8.5	44	*8.7*	*8.9*
% of Revenues	30.2		*33.5*			*(3.3) pp*	*(3.3) pp*
Media, Olivetti and Other Operations	(81)	(1.3)	(25)	(0.4)	(56)		
Adjustments and eliminations	*(3)*	*(0.1)*	-	-	*(3)*		
Total Consolidated	5,859	100.0	5,956	100.0	(97)	(1.6)	(1.0)
% of Revenues	*39.6*		*41.0*			*(1.4) pp*	*(1.7) pp*

EBIT stood at **€3,205 million;** in H1 2011 the figure was a negative -€63 million following the Core Domestic goodwill write-down for €3,182 million. The organic EBIT variation was a positive €76 million (+2.4%) with organic EBIT margin (21.7%) largely unchanged compared with H1 2011.

Consolidated net profits amounted to **€1,245 million**, registering a €3.3 billion improvement compared with the same period of 2011. In comparable terms, excluding the aforementioned goodwill write-down in H1 2011, the increase is €0.1 billion **(+9.2%).**

Capex for the first half of 2012 amounted to **€2,269 million** (up €232 million compared with H1 2011) broken down as follows:

(millions of euros)	H1 2012	% of total	H1 2011	% of total	Change
Domestic	1,333	58.7	1,352	66.4	(19)
Brazil	662	29.2	444	21.8	218
Argentina	236	10.4	205	10.1	31
Media, Olivetti and Other Operations	38	1.7	36	1.7	2
Adjustments and eliminations	-	-	-	-	-
Total Consolidated	2,269	100.0	2,037	100.0	232
% of Revenues	*15.3*		*14.0*		*1.3 pp*

Capital expenditure for the Domestic Business Unit shrank by €19 million, mainly due to the lower requirement in relation to delivery of new systems owing to the slowdown and contraction of fixed-line business.

For the Brazil Business Unit **capex** rose by €218 million (including a negative forex effect of -€23 million) primarily in relation to investments in network infrastructure.
Capex for the Argentina Business Unit grew by €31 million from the same period of last year. In particular, expenditure was aimed at enlarging and upgrading broadband services to improve transmission capacity and increase access speed. Telecom Personal invested primarily in increased capacity and enlargement of the 3G network to support Mobile Internet growth.

Cash flow from operations stood at **€2,243 million** (€2,512 million in H1 2011).

Adjusted net financial debt (excluding the purely accounting and non-monetary effects of the valuation at fair value of financial derivatives and related assets/liabilities) at 30 June 2012 is **€30,360 million**, down €54 million with respect to 31 December 2011 (€30,414 million), despite the payment of dividends for over €1 billion.

At 30 June 2012 adjusted net financial debt was substantially unchanged at the level of end of March 2012 (€30,312 million), thanks to cash generation which enable the Group to absorb the impact of dividend payments.

Accounting net financial debt amounts to €30,785 million (€30,819 million at 31 December 2011 and €30,979 million at 31 March 2012).

At 30 June 2012 Group **headcount** stood at **84,889 employees** (84,154 at 31 December 2011), of which 56,815 in Italy (56,878 at 31 December 2011).

***

BUSINESS UNIT RESULTS

Figures for Telecom Italia Group included in this press release refer to the following business units:

- ***Domestic** Business Unit: includes domestic fixed-line and mobile-line voice and data services provided to end users (retail) and other carriers (wholesale), Telecom Italia Sparkle Group business (International Wholesale) as well as associated support operations;*
- ***Brazil** Business Unit: refers to mobile (Tim Celular) and fixed-line (Intelig, TIM Fiber SP and TIM Fiber RJ) telecommunications operations in Brazil;*
- ***Argentina** Business Unit: includes fixed-line (Telecom Argentina) and mobile telecommunications (Telecom Personal in Argentina, and Núcleo in Paraguay);*
- ***Media** Business Unit: includes TV network-related activities and operations;*
- ***Olivetti** Business Unit: includes activities in the area of IT products and services;*
- ***Other Operations**: includes financial firms and other smaller operations not strictly related to Telecom Italia Group's core business.*

Figures for Telecom Italia Media at 30 June 2012 can be found in the press release issued on 27 July 2012, following the Board of Directors' meeting.

DOMESTIC

In H1 2012 the company Matrix, following commencement of its disposal process, was consolidated within the Other Operations and no longer belongs to the Domestic–Core Domestic BU. The comparable periods were reclassified accordingly.

Domestic revenues fell 3.1% in reported terms and 3.0% in organic terms to **€9,048 million** (€9,335 million in H1 2011).

Highlights:

- <u>Core Domestic Revenues</u>

  Core Domestic **revenues** amounted to **€8,570 million**, down 4.1% (€8,932 million in the first six months of 2011) and with an organic variation of -3.9%.

The performance of the individual market segments as compared with the same period of 2011 is as follows:

- **Consumer:** the Consumer segment saw a slide in revenues of €67 million (-1.5%), though confirming the steady recovery seen in FY 2011 thanks in particular to a stabilisation of the erosion of voice revenues (both Fixed and Mobile), strong growth in Browsing revenues and growth in sales of devices (+€65 million, + 52.7%), especially Mobile Internet enabled. The reduction, entirely attributable to revenues from services (-€132 million, -3.0%), is ascribable to traditional Voice and Messaging services, in large part offset by growth in Mobile Internet (+€51 million, +15.9% compared with H1 2011) and Fixed Broadband (+€16 million, +3.4% compared with the previous year period).

- **Business:** revenues for the segment fell by €119 million in H1 2012 (-7.6%). The fall was primarily seen in revenues from services (-€91 million) of which -€56 million on Fixed-line, entirely due to erosion of the customer base (-6.7% compared with 2011) and -€38 million on Mobile (-7.6%), attributable both to the smaller customer base and a fall in revenues and lower average unit prices, especially in Voice services.

- **Top:** the segment reported a drop in revenues in H1 2012 of €148 million (-8.6%). The fall affected both revenues from services (-€92 million, -6.0%), and from product sales (-€55 million, -28.2%). In particular the fall in revenues from services was seen in Voice (-€48 million) and Data (-€34 million), while in Mobile the slide was a more modest -€18 million (-3.9%), entirely attributable to lower prices/revenues on voice traffic and messaging only partly offset by the increase in Browsing revenues.

- **National Wholesale:** the Wholesale segment in H1 2012 reported a slight drop in revenues of -€19 million (-1.8%, -0.9% in organic terms) mainly due to lower carrier and interconnection revenues, only in part offset by growth in access services to alternative operators.

International Wholesale Revenues

In H1 2012 the International Wholesale segment (Telecom Italia Sparkle Group) posted **revenues** of **€709 million**, up **€67 million** (+10.4%, +8.9% in organic terms) compared with 2011. This performance was primarily attributable to Voice services (+15.7%) and more marginally to the IP/Data segment (+8.6%). All areas of business were affected by sharp pricing pressures owing to the competitiveness of the market as well as by rationalization measures based on a more selective customer portfolio and traffic strategy.

Besides the breakdown by market segment, the following revenue figures are distinguished by technology (Fixed and Mobile).

Fixed-Line Telecommunications Revenues

Revenue trends in the main business areas are as follows:

(millions of euros)	H1 2012	% of total	H1 2011	% of total	Change absolute	Change %
Retail Voice	2,701	41.8	2,868	43.0	(167)	(5.8)
Internet	798	12.3	811	12.2	(13)	(1.7)
Business Data	691	10.7	765	11.5	(74)	(9.8)
Wholesale	2,068	32.0	2,038	30.6	30	1.5
Others	210	3.2	182	2.7	28	15.4
Total Fixed-Line Telecommunications Revenues	**6,468**	100.0	**6,664**	100.0	(196)	(2.9)

Mobile Telecommunications Revenues

Revenue trends in the main business areas are as follows:

(millions of euros)	H1 2012	% of total	H1 2011	% of total	Change absolute	Change %
Outgoing voice	1,662	49.2	1,798	51.4	(136)	(7.6)
Incoming voice	492	14.6	593	17.0	(101)	(17.1)
VAS	1,025	30.4	978	28.0	47	4.8
Handsets	197	5.8	127	3.6	70	55.1
Total Mobile Telecommunications Revenues	**3,376**	100.0	**3,496**	**100.0**	(120)	(3.4)

EBITDA for the Domestic business unit amounted to **€4,406 million**, down €121 million from the first half of 2011 (-2.7%). The **EBITDA margin** was 48.7%, **up 0.2 percentage points** compared with the first six months of 2011. This result was affected by the contraction in revenues from services (-€269 million compared with the corresponding period of 2011), only partly recovered by the lower quotas paid to other carriers and by efficiencies obtained thanks to the selective control and containment of costs. **Organic EBITDA** came to **€4,424 million** (-€150 million, -3.3% compared with the first half of 2011), with EBITDA margin at 48.8% of revenues slightly lower than the same period of 2011 (-0.2 percentage points).

EBIT for the Domestic BU came to **€2,605 million**; in the previous-year period it was a negative €697 million and included the goodwill write-down of the Core Domestic CGU for €3,182 million; EBIT margin came to 28.8%.

Capex amounted to **€1,333 million**, down €19 million from the same period of 2011. The percentage of capex on revenues was 14.7% of revenues.

Headcount stood at **55,278** employees, higher by 231 compared with 31 December 2011 (the variation includes the effects of the acquisition, with effect from 1 January 2012, of the Contact Center and its 249 resources from the company Advalso belonging to the Olivetti Business Unit).

BRAZIL
(average real/euro exchange rate 2.41520)

Revenues of **TIM Brasil Group** in H1 2012 came to **9,016 million reais**, 1,012 million reais higher than H1 2011 (**+12.6%**). Revenues from services grew to reach 8,000 million reais, up from 7,207 million reais in H1 2011 (+11.0%). Revenues from product sales increased from 797 million reais in H1 2011 to 1,016 million reais (+27.5%). Mobile ARPU (Average Revenue Per User) was over 18.7 reais compared with 21.2 reais in H1 2011. The total number of **lines** at 30 June 2012 was **68.9 million**, **up 7.5%** with respect to 31 December 2011, representing a **26.90% market share.**

EBITDA amounted to **2,385 million reais**, up 216 million reais from H1 2011 (**+10.0%**). Margin growth was sustained by the increase in revenues, mainly in outgoing voice traffic and VAS, essentially counterbalanced by the higher termination rates due to increased traffic volumes and costs strictly linked to changes in the customer base. EBITDA margin was 26.5%, down 0.6 percentage points from the previous-year period.
The increased margin in revenues from services was partially offset by the greater share of turnover from sales of smartphones/webphones.

EBIT amounted to **1,125 million reais**, an **improvement of 118 million reais** on H1 2011. This is explained by the higher contribution of EBITDA, partially offset by increased depreciation and amortisation of 96 million reais (1,256 million reais in H1 2012 compared with 1,160 million reais in the same period of 2011).

Headcount stood at **10,922 employees** (10,539 at 31 December 2011).

In June 2012 TIM Celular, a subsidiary of TIM Brasil, took part in an **auction for the rights to use fourth generation (4G) mobile telephony frequency bands.**
On 12 and 13 June 2012 Anatel, the Brazilian regulator, announced the results of the bid, awarding Tim Celular the use of one national 10+10MHz and six 10+10MHz regional frequencies, as well as 7+7MHz in 450MHz in four states. The total value of the investment is 382 million reais and permits Tim Brasil to use the new frequencies for 15 years (renewable for a further 15 years).
The assignment of the spectrum purchased will be formalised in the third quarter of 2012.

ARGENTINA
(average peso/euro exchange rate 5.69209)

H1 2012 **revenues** came to **10,379 million pesos**, an increase of 1,796 million pesos (+20.9%) compared with first half of 2011 (8,583 million pesos) thanks to growth of the Broadband and Mobile client base, as well as the respective ARPUs. The principal source of revenues for the Argentina Business Unit was mobile telephony which contributed around 72% of consolidated revenues and grew by 24% compared with H1 2011.

The number of **fixed lines** at 30 June 2012 remained practically unchanged against the end of 2011 (around 4.1 million lines). Despite the freezing of tariffs imposed by the Economic Emergency Law of January 2002, **ARBU** (*Average Revenue Billed per User*) **grew by 5.6%** compared with H1 2011 as a result of sales of packages including minutes of traffic and value added services.

Telecom Argentina's overall **Broadband client** portfolio at 30 June 2012 numbered **1,594,000 subscribers**, 44,000 more than December 2011 with **growth of around 3.0%.**

The **Personal** client base in Argentina grew by 530,000 from the end of 2011 to reach a total **18.7 million lines** at 30 June 2012, 32% of which with post-paid contracts. Meanwhile, thanks to the acquisition of high value customers and our clear leadership in smartphones, **ARPU grew by 13%** to top 54.6 pesos (48.3 pesos in H1 2011). Much of this growth is attributable to value added services (including SMS) and Mobile Internet, which together represented around 52% of mobile telephony revenues in H1 2012.

In Paraguay the **Núcleo** client base **grew by around 4%** from 31 December 2011 to reach **2,242,000 lines**, 18% of which with post-paid contracts.

EBITDA reached **3,131 million pesos**, an improvement of 255 million pesos (+8.9%). The EBITDA margin was 30.2%, 3.3 percentage points less than in H1 2011, mainly due to the higher incidence of purchases of materials and services and labour costs.

EBIT amounted to **1,452 million pesos**, a fall of 10 million pesos (-0.7%) compared with H1 2011 essentially due to higher amortizations. EBIT margin came to 14.0%, (17.0% in H1 2011).

Headcount stood at **16,785 employees** (16,350 at 31 December 2011).

OLIVETTI

Revenues in H1 2012 were **€130 million**, down €31 million compared with the same period of 2011. However, total revenues at a constant perimeter – calculated excluding the business of the Advalso S.p.A. Contact Center sold at the beginning of the year to Telecontact Center S.p.A. (Domestic BU) - fell by €19 million, with an organic variation of -12.8%. Excluding the revenues from agreements with the parent Telecom Italia S.p.A. on the use of brands and patents, the decline comes to €14 million (-9.7%).
EBITDA was a **negative -€38 million**, down €13 million from the previous-year period (-52%). The organic variation in EBITDA was a positive €3 million (+12%) thanks to cost reductions of €4 million (lower fixed and labour costs) which more than matched the lower profits from declining sales. Organic growth was

calculated excluding the provision for restructuring charges of €16.5 million, following the decision to begin the process of liquidation of Olivetti i-Jet S.p.A. to reposition the business unit in the ICT market in the light of the increasing shift towards the paperless office and mobile applications. Changes to the consolidation area had no impact on EBITDA.

EBIT amounted to a **negative -€41 million**, down €14 million from the corresponding period of 2011 (-51.9%). The organic EBIT variation was a positive €2 million (+7.4%), impacted by the same factors that affected EBITDA.

Headcount stood at **807 employees**, 268 fewer than the 1,075 at 31 December 2011 (the variation includes the effects of the sale, with effect from 1 January 2012, of the Contact Center and its 249 resources to the Domestic Business Unit).

***

EVENTS SUBSEQUENT TO 30 JUNE 2012

Buyback of Telecom Italia S.p.A. bonds.

On 13 July 2012 Telecom Italia S.p.A. announced the final results of the public offerings for buybacks on four bond issues, with maturities between March 2013 and May 2014.
The offerings, opened on 6 July 2012, were closed on 12 July 2012 and concerned the following issues:

Buyback bond breakdown by original due date and ISIN code:

	March 2013 XS0418509146	July 2013 XS0312208407	January 2014 XS0409510590	May 2014 XS0254905846
Nominal amount in circulation (euro)	645,000,000	500,000,000	500,000,000	673,000,000
Buyback price	103.363%	99.50%	107.914%	103.002%
Nominal amount purchased (euro)	212,855,000	232,350,000	215,893,000	116,200,000
Residual nominal amount in circulation (euro)	432,145,000	267,650,000	284,107,000	556,800,000

The total nominal amount purchased is €777.3 million.

Suspension of sales of new SIM cards in some areas of Brazil

On 18 July 2012, Anatel (Brazil's telecommunications regulator), on the back of a new methodology for measuring indicators of quality, issued a ruling which, among other things, ordered TIM Celular (subsidiary of TIM Brasil) to suspend sales of new SIM cards in 18 Brazilian states and in the Federal District of Brasilia, with effect from 23 July 2012.
Following rejection of its appeal for a lifting of the ban, on 24 July 2012 TIM Celular presented Anatel with an action plan, detailed for each State and complete with the individual measures foreseen to guarantee an improvement in quality of services and of the network. The Company is confident that, given the exhaustive nature of the plan, Anatel will lift the suspension shortly.

***

OUTLOOK FOR THE 2012 FINANCIAL YEAR

As regards Telecom Italia Group's outlook for the ongoing financial year, the goals linked to the main economic and financial indicators, as described in the 2012-2014 Industrial Plan, foresee the following outcomes for the whole of 2012:

- Revenues and EBITDA essentially unchanged from 2011;
- Adjusted net financial position at around €27.5 billion.

***

Merger by incorporation of SAIAT

The Board of Directors has approved the merger by incorporation of the wholly owned subsidiary SAIAT (Società Attività Intermedie Ausiliarie Telecomunicazioni p.A.).
The merger, which contributes to a further simplification of the Group's corporate structure, does not entail any changes to the capital of Telecom Italia and is expected to be completed by the end of October 2012.

New Managing Director

The Board of Directors has approved the appointment of Andrea Mangoni (current Head of Administration, Finance and Control & International Development) as Managing Director for Group activities in South America, tasked with overseeing management and business development in the region.
Mr. Mangoni, who in his new role will report to the Executive Chairman and retain his position in Brazil, will follow his current activities in the parent company until a new Chief Financial Officer of Telecom Italia is identified.

Internal controls

The Board of Directors has noted the resignation of Vice Chairman, Aldo Minucci, from his duties regarding the internal control system, in view of his commitments with ANIA.
In consequence, Internal Audit and the offices in charge of Group-level compliance (Group Compliance Officer and IT & Security Compliance) will continue to report to the plenum board, with Director Gabriele Galateri acting as liaison between these offices and the board.

Shareholders' Meeting

The Board of Directors, following the announcement made during the course of the Shareholders' Meeting of 15 May 2012, has voted to call a Shareholders' Meeting for 17 October 2012 (single call) at the Rozzano Auditorium (Milan), Viale Tuscany, 3, with the following order of business:

- proposed resolution, under the terms of article 1965 of the Civil Code, of the dispute with former Executive Director Carlo Orazio Buora, subordinate, and only in the event of non-approval, to proposed derivative litigation;
- proposed derivative litigation against former Executive Director Riccardo Ruggiero.

Mr. Buora held executive positions in the Board of Directors from November 2001, while Mr. Ruggiero was CEO from September 2002. Both left their positions in December 2007.
Telecom Italia is already plaintiff in the trial of Mr. Ruggiero currently being heard by the Court of Milan on charges of obstructing the supervisory authorities in relation to the alleged manipulation of the mobile customer base communicated to AGCOM.
The proposed reconciliation with Mr. Buora stems from his stated readiness to resolve any differences with Telecom Italia, including a pledge to pay a sum to the company.
The detailed proposals and full report will be formalised by the Board of Directors' meeting scheduled for 13 September 2012.

***

The Manager designate for the preparation of accounting and corporate documents, Andrea Mangoni, hereby declares, pursuant to paragraph 2, Art.154-bis of Italy's Financial Law, that the accounting information contained herein corresponds to the company's documentation, accounting books and records.