

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 presented in the periodical financial reports (annual and interim), should, however, not be considered as a substitute for those required by IFRS.

The 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 Company. 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 (loss) 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) Line item 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 and exchange differences. In particular, please note that, starting from 2014, Telecom Italia has changed the methods for determining the Organic change in Revenues and EBITDA not considering more, as in the past, in this calculation the non-organic income/expenses, including those non-recurring; therefore, the Organic changes – as described above - now include only the effects arising from the change in the scope of consolidation and exchange differences. Figures for the comparative periods have been restated accordingly. 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 Company; the Organic change in Revenues and EBITDA is also used in presentations to analysts and investors. In this press release, is also provided the reconciliation between the “accounting or reported” data and the “comparable” ones.
- **Net Financial Debt:** Telecom Italia believes that the 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, is shown the “Adjusted net financial debt”, which excludes effects that are purely accounting in nature resulting from the fair value measurement of derivatives and related financial liabilities/assets.

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

TELECOMITALIA GROUP – KEY OPERATING AND FINANCIAL DATA

TELECOM ITALIA GROUP - HIGHLIGHTS

(millions of euros)	2014 Preliminary	2013	Change %	
			Reported	Organic
Revenues	21,573	23,407	(7.8)	(5.4)
EBITDA	8,786	9,540	(7.9)	(6.8)
<i>EBITDA margin</i>	40.7%	40.8%	(0.1)pp	
<i>Organic EBITDA margin</i>	40.7%	41.3%	(0.6)pp	
Capital expenditures	4,984	4,400	13.3	
Net Operating Free Cash Flow	3,174	4,803	(1,629)	
Adjusted net financial debt	26,651	26,807	(156)	
Headcount at year-end (number)	66,025	65,623	402	

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

TELECOM ITALIA S.p.A. - HIGHLIGHTS

(milioni di euro)	2014 Preliminary	2013	Change	
			amount	%
Revenues	14,153	15,304	(1,151)	(7.5)
EBITDA	6,739	7,537	(798)	(10.6)
<i>EBITDA margin</i>	47.6%	49.2%	(1.6) pp	
Capital expenditures	2,693	2,915	(222)	
Adjusted net financial debt	31,481	32,309	(828)	
Headcount at year-end (number)	44,164	44,386	(222)	(0.5)

TELECOM ITALIA GROUP - INFORMATION BY OPERATING SEGMENTS

Starting from 2014, the Domestic Business Unit includes, in addition to Core Domestic and International Wholesale, also the Olivetti group. This different presentation reflects the commercial and business placement of the Olivetti group and the process of integrating the products and services offered by the Olivetti group as complements to those offered by Telecom Italia in the domestic market. Accordingly, the figures for the corresponding periods of the previous year have been restated on a consistent basis.

DOMESTIC

(millions of euros)	2014 Preliminary	2013	Change		
			amount	%	% organic
Revenues	15,303	16,388	(1,085)	(6.6)	(6.6)
EBITDA	6,998	7,741	(743)	(9.6)	(9.6)
EBITDA margin	45.7	47.2		(1.5)pp	(1.5)pp
Headcount at year-end (number)	53,076	53,377	(301)	(0.6)	

Core Domestic

(millions of euros)	2014 Preliminary	2013	Change	
			amount	%
Revenues	14,205	15,269	(1,064)	(7.0)
Consumer	7,349	7,970	(621)	(7.8)
Business	4,824	5,211	(387)	(7.4)
National Wholesale	1,793	1,897	(104)	(5.5)
Other	239	191	48	25.1
EBITDA	6,761	7,552	(791)	(10.5)
EBITDA margin	47.6	49.5		(1.9)pp
Headcount at year-end (number)	51,849	51,954	(105)	(0.2)

International Wholesale

(millions of euros)	2014 Preliminary	2013	Change	
			amount	%
Revenues	1,244	1,263	(19)	(1.5)
Of which third parties	981	955	26	2.7
EBITDA	271	203	68	33.5
EBITDA margin	21.8	16.1		5.7pp
Headcount at year-end (number) ⁽¹⁾	641	741	(100)	(13.5)

(1) Includes employees with temp work contracts: 4 employees at December 31, 2014 (4 employees at December 31, 2013).

Olivetti

(millions of euros)	2014 Preliminary	2013	Change		
			amount	%	% Organic
Revenues	227	265	(38)	(14.3)	(14.7)
EBITDA	(29)	(4)	(25)		
EBITDA margin	(12.8)	(1.5)		(11.3)pp	(11.3)pp
Headcount at year-end (number) ⁽¹⁾	586	682	(96)	(14.1)	

(1) Includes employees with temp work contracts: 4 employees at December 31, 2014 (zero employees at December 31, 2013).

Brazil

	(million of euros)		(million of reais)		Change	
	2014 Preliminary	2013	2014 Preliminary	2013	amount	%
	(a)	(b)	(c)	(d)	(c-d)	(c-d)/d
Revenues	6,244	6,945	19,498	19,921	(423)	(2.1)
EBITDA	1,774	1,812	5,541	5,198	343	6.6
EBITDA margin	28.4	26.1	28.4	26.1		2.3pp
Headcount at year-end (number)			12,841	12,140	701	5.8

TELECOM ITALIA GROUP - RECONCILIATION BETWEEN REPORTED DATA AND ORGANIC DATA

REVENUES – reconciliation of organic data

(millions of euros)	2014 Preliminary	2013	Change	
			amount	%
HISTORICAL REVENUES	21,573	23,407	(1,834)	(7.8)
Foreign currency financial statements translation effect		(565)	565	
Changes in the scope of consolidation		(39)	39	
COMPARABLE REVENUES	21,573	22,803	(1,230)	(5.4)

EBITDA – reconciliation of organic data

(millions of euros)	2014 Preliminary	2013	Change	
			amount	%
HISTORICAL EBITDA	8,786	9,540	(754)	(7.9)
Foreign currency financial statements translation effect		(147)	147	
Changes in the scope of consolidation		36	(36)	
COMPARABLE EBITDA	8,786	9,429	(643)	(6.8)