Telecom Italia Group
9M 2013 Results & 2014-2016 Plan Outline

PIERGIOGIO PELUSO
TELECOM ITALIA GROUP
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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 statements.

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. Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia S.p.A. undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Telecom Italia S.p.A. business or acquisition strategy or planned capital expenditures or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission.

The accounting policies and consolidation principles adopted in the preparation of the Condensed Consolidated Financial Statements as of, and for the nine months ended, 30 September 2013 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2012, to which reference can be made, except for the new standards and interpretations adopted by the Group, which, other than for the prospective adoption of IFRS 13 (Fair Value measurement), didn’t impact on the Condensed Consolidated Financial Statements as of, and for the nine months ended, 30 September 2013.

Some data for the first quarter 2012, used in comparisons, included into this presentation have been restated as a result of the early adoption, starting from the first half 2012, of the revised version of IAS 19 (Employee Benefits) and the reclassification of Matrix (company that was disposed of on October 31, 2012) from the Business Unit Domestic–Core Domestic to the Business Unit Other Activities.
Agenda

- 9M13 Net Debt Evolution and FY13 Net Debt Target Confirmed
- Extraordinary Transactions
- New Group Debt Guidance
- Backup
9M13 Net Debt Evolution

Euro mln, Reported Data

EBITDA
CAPEX
\(\Delta\) WC & Others
Operating FCF

\begin{align*}
\text{9M13} & = 28,229 \\
(\text{28,274}) & \quad +74 \\
& \quad +1,230 \\
& \quad +540 \\
& \quad +888 \\
\end{align*}

\text{Disposals/Financial Investment} \\
\text{Cash Financial Expenses/Financial Accruals} \\
\text{Dividends} \\
\text{Cash Taxes/Other Impacts}

\begin{align*}
\text{2012YE Adjusted} & \\
\text{Operating FCF} & = 30,414 \\
\text{Disposals/Financial Investment} & = (4,141) \\
\text{Cash Financial Expenses/Financial Accruals} & = (929) \\
\text{Dividends} & = (29,485) \\
\text{Cash Taxes/Other Impacts} & = 929 \\
\text{9M13 Adjusted} & = 9,033 \\
\end{align*}

\text{2012YE} \\
\text{Operating FCF} \\
\text{Disposals/Financial Investment} \\
\text{Cash Financial Expenses/Financial Accruals} \\
\text{Dividends} \\
\text{Cash Taxes/Other Impacts} \\
\text{9M13} \\
\text{Adjusted} \\
\text{EBITDA} \\
\text{CAPEX} \\
\text{\(\Delta\) WC & Others} \\
\text{Operating FCF} \\
\text{2011YE} \\
\text{Operating FCF} \\
\text{Disposals/Financial Investment} \\
\text{Cash Financial Expenses/Financial Accruals} \\
\text{Dividends} \\
\text{Cash Taxes/Other Impacts} \\
\text{9M12} \\
\text{\(\Delta\) vs. 12} \\
\text{Operating FCF} \\
\text{Disposals/Financial Investment} \\
\text{Cash Financial Expenses/Financial Accruals} \\
\text{Dividends} \\
\text{Cash Taxes/Other Impacts}
**FY13 Net Debt Target Confirmed**

**Balance to FY13 Adjusted Net Debt Target**

<table>
<thead>
<tr>
<th></th>
<th>2012YE</th>
<th>9M '13</th>
<th>FY '13</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011YE</td>
<td>30,414</td>
<td>(929)</td>
<td>28,274</td>
</tr>
<tr>
<td>FY12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1,211)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>29,485</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9M12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2,140)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>28,229</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCF Generation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>includes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Less cash taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Working capital optimization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Higher FCF from Latam</td>
<td></td>
<td></td>
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</tbody>
</table>

Of which 0.5 bln € refers to first half (4Q12 suppliers payment deferral and Brazil spectrum payment)
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Announced Extraordinary Transactions: around € 4 bln of financial strengthening

<table>
<thead>
<tr>
<th>Ongoing</th>
<th>Expected by 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Telecom Argentina Disposal</td>
<td>• Further assets available for value creation (towers in Italy and Brazil, TI Media Broadcasting)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;1 € bln</td>
</tr>
<tr>
<td>&gt;2 € bln*</td>
</tr>
</tbody>
</table>

Total Extraordinary Transactions materially increase financial flexibility: Around 4 € bln

* Cash proceeds. The overall treatment of the transactions will be subject to IFRS rules
Mandatory Convertible Bond

Telecom Italia launched an issuance of:
more than 1 bln Euro subordinated, unsecured mandatorily convertible securities

- Issuer: Telecom Italia Finance S.A.
- Guarantor: Telecom Italia S.p.A.
- Ranking: Senior only to share capital
- Maximum size: 1.3 bln Eur
- Underlying Shares: Ordinary and Saving Telecom Italia S.p.A. Shares (with a preference to maximise the issuance of Ordinary Share Bonds, consistent with market demand)
- Maturity date: November 2016
- Issue price: at par
- Expected annual coupon: 5.75% - 6.5%
- Minimum Conversion Price at maturity: initially equal to the Share Reference Price (WVAP to be disclosed tomorrow COB)
- Maximum Conversion Price at maturity: equal to 120% to 125% of the Minimum Conversion Price.

The issuance will:

- reflect TI expectation of future share price performance
- assure rapid execution & minimize exposure to market risk
- further strengthen TI liquidity and capital base, as well as allowing greater diversification of financial sources

The market context is very supportive and there is currently a strong investor appetite for Telecom sector MCB paper
Other assets available for value creation worth, in aggregate, more than € 2 bln

Tower lease (Italy and Brazil)

- TI forerunner in passive infrastructure sharing - initiated 10 years ago in order to reduce costs
- The goal is now to enhance and extract value from tower asset base, also reducing focus on “non core” passive elements of the network

Perimeter:
- Italy: more than 10k owned towers
- Brazil: more than 7k owned towers
- No active network component

Multiplex sale

- Main non captive network operator in the Italian market
- Potential synergies (efficiencies, broadening of our portfolio, better allocation of bandwidth capacity)
- 1st phase integration between TIMB and Rete A, retaining control of the combined entity
- 2nd phase sale of a stake of the company (up to 100%) to a third party investor

Perimeter:
- TI Media Broadcasting:
  assignee of 3 MUX - 65.4 Mbps capacity
  DTT platform (812 sites, 95% of Italy's population)
- Gruppo Espresso - Rete A:
  assignee of 2 MUX - 47 Mbps capacity
  DTT platform (427 sites, 90.9% of Italy's population)
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New Group Debt Guidance

Net Debt Evolution

Euro mln

- **<27bln**
- FY13
- FY14
- FY15
- FY16

**NET DEBT**

**NET DEBT/EBITDA***

~ **2.9x** New perimeter (w/o Argentina)

~ **2.1x** **including equity strengthening**

* Adj Net Debt; Reported EBITDA

** including equity strengthening
Robust Liquidity Margin and Well-Distributed Debt Maturities

Liquidity Margin

Euro bln

<table>
<thead>
<tr>
<th></th>
<th>Euro mln</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 2013</td>
<td>13.45</td>
</tr>
<tr>
<td>FY 2014</td>
<td>6.70</td>
</tr>
<tr>
<td>FY 2015</td>
<td>6.75</td>
</tr>
</tbody>
</table>

Debt Maturities

Euro mln

<table>
<thead>
<tr>
<th></th>
<th>Euro mln</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 2013</td>
<td>1,891</td>
</tr>
<tr>
<td>FY 2014</td>
<td>4,722</td>
</tr>
<tr>
<td>FY 2015</td>
<td>3,348</td>
</tr>
<tr>
<td>FY 2016</td>
<td>3,125</td>
</tr>
<tr>
<td>FY 2017</td>
<td>3,891</td>
</tr>
<tr>
<td>FY 2018</td>
<td>2,990</td>
</tr>
<tr>
<td>Beyond 2018</td>
<td>13,822</td>
</tr>
<tr>
<td>Total M/L Term Debt</td>
<td>34,710(1)</td>
</tr>
</tbody>
</table>

(1) € 34,710 mln is the nominal amount of outstanding medium-long term debt. By adding IAS adjustments (€ 856 mln) and current liabilities (€ 500 mln), the gross debt figure of € 36,066 mln is reached.

N.B. Debt maturities are net of € 1,830 mln (face value) of repurchased (€ 1,206 in the 2013) own bonds (of which € 1,615 mln related to bonds due within 2015).
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Well Diversified and Hedged Debt

Total Gross Debt net of Adjustment: Euro 36,066 mln

- Gross debt 36,066
- Financial assets (7,837)
  - of which C & CE and marketable securities (6,747)
    - C & CE (5,456)
    - Marketable securities (1,291)
      - Italian Government Securities (1,028)
      - Other (263)

Net Financial Position 28,229

Maturities and Risk Management

- Average debt maturity: 7.03 years (bond only 7.89 years)
- Fixed rate portion on gross debt approximately 67.3%
- Around 42% of outstanding bonds (nominal amount) is denominated in USD, GBP and YEN and is fully hedged

Cost of debt: ~5.4%

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 1,835 €/mln (of which 500 €/mln on bonds)
- the impact on Financial Assets is equal to 877 €/mln
Therefore, the Net Financial Indebtedness is adjusted by 958 €/mln