Telecom Italia Group
Building a new course for TI

MARCO PATUANO
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 developments and changes in 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 and investors 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 should 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 which may identify factors that affect the forward looking statements included herein.

The accounting policies adopted in the preparation of the Separate and Consolidated Financial Statements as of, and for the full year ended, 31 December 2013 have been applied on a basis consistent with those adopted in the Annual Separate and Consolidated Financial Statements at 31 December 2012, to which reference can be made, except for the new standards and interpretations adopted by Telecom Italia, which, other than for the prospective adoption of IFRS 13 (Fair Value measurement), didn't impact on the Separate and Consolidated Financial Statements as of, and for the full year ended, 31 December 2013. Please note that the audit of the Telecom Italia Separate and Consolidated Financial Statements at 31 December 2013 has not yet been completed.

Some data for the first quarter 2012, used in comparisons, included in 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. Furthermore, on November 13, 2013, the Telecom Italia Group accepted an offer to sell its entire controlling stake in Sofora Group – Telecom Argentina (Business Unit Argentina). Consequently, the latter was accounted for as Discontinued Operations (Assets held for sale) starting from the current Annual Report as of December 31, 2013.
Agenda

- Building a new course for TI
- Takeaways
## Building a new course for TI

### TI Gaining Traction

<table>
<thead>
<tr>
<th>2011-2013</th>
<th>Next 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment</strong></td>
<td>* focus on copper/traditional investment and tightening deleverage priority</td>
</tr>
<tr>
<td><strong>Profitability/ Marginality</strong></td>
<td>* leading position on Ebitda margin among EU peers</td>
</tr>
<tr>
<td><strong>Regulation</strong></td>
<td>* regulatory approach focused on competition and customer protection</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>* provided stability but also complexity</td>
</tr>
<tr>
<td><strong>Economic environment</strong></td>
<td>* multi-years macro economic constraints</td>
</tr>
</tbody>
</table>

### Cagr’10-'13

<table>
<thead>
<tr>
<th>Wireless ARPU</th>
<th>Fixed lines</th>
<th>Fixed ARPU</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Total:*-13%</td>
<td>* Access:*-5%</td>
<td>* BB Arpu:*+1%</td>
</tr>
<tr>
<td>* Generated:* -9%</td>
<td>* BB:* -1%</td>
<td></td>
</tr>
<tr>
<td>* Received:* -41%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Zero MTR drag & rational market behavior; upsell value through LTE expansion

* Fresh market BB growth & focus on convergent propositions; voice/access value defence

* Increasing BB ARPU through new internet services/contents on high-speed network
Building a new course for TI

Our Fiber Plan

Active service in 42 cities\(^{(1)}\)
vs 25 cities for the main competitor

Population coverage

- Building phase:
  - deployment process better than expected
  - strategic agreement with Enel ensures further technological opportunities and savings

- Commercial take-up:
  - gaining momentum on customer acquisition

- Geomarketing:
  - BB M/S opportunities in the areas where TI has weaker position

Source: Telecom Italia; internal data; For NGN update Feb '14. For competitors: company web site
\(^{(1)}\) includes industrial districts, \(^{(2)}\) including public funds
First by far also in LTE

Active service in 651 municipalities
vs 58 for the main competitor
(of which 126 big cities for TI vs 25 big cities for the competitor)

- LTE coverage:
  - TIM's best position confirmed, outstripping #2 operator by +300bps on coverage

- LTE valorization:
  - going to monetize 4G via:
    - a reshaped “connectivity as a service” offer based on tiered data bundles (MB/GB) fitting with different customer needs
    - access to Premium content based services

Source: Telecom Italia; internal data; For LTE update Jan’14; For competitors: company web site
Commercial Evolution: Sparked-up by Strategic Projects

Strategic Projects

Convergent offers
- Develop triple & quadruple play offers

Fixed Ultra BB
- Maximise return on investment

Mobile Ultra BB
- Valorization of Infrastructure

Mobile Towers
- "TIM" as one single commercial brand

Rebranding
- "TIM" as one single commercial brand

Convergent Offers

Fixed Voice, Access & Broadband
- A complete offer fixed and mobile needs for all family
- A very competitive and unique flat price
- One bill for all telecommunication expenses

Mobile Voice, SMS & Data
- Reduce churn on mobile and avoid F-M migration
- Lock-in fixed customer base through broadband experience
- Better promos policies and less SAC
- Lever on Telecom Italia unique high-speed networks

Customer Benefits

Telecom Italia Benefits

make a «Smart» move
out now!

With Telecom Italia's unique high-speed networks, make a «Smart» move for a «Complete & Unique» offers. One bill for all telecommunication expenses, better promos policies, and less SAC costs. Unlock mobile benefits and lock-in your fixed customer base through broadband experience. Pick the best offers for your family and lock-in your customer base with Telecom Italia's unique high-speed networks.
Opex Efficiency Targets: Underwritten by Transformation

Domestic cumulative efficiency on Opex

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Cum '14-'16</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.2</td>
<td>0.4</td>
<td>0.4</td>
<td>1.0</td>
</tr>
</tbody>
</table>

Focus on Network & IT delayering

1. Network

Network rationalization is at the core of Telcos transformation
- reduction of decommissioning costs
- real estate optimization
- human skills re-engineering
- network components streamlining

2. Information Technology

Coordinated Systems Transformation Plan
- high complexity closely linked to platform obsolescence and incremental rather than organic evolution
- the size of workforce is significant while the percentage of insourced business is small
- system-based economic efficiency

Transformation Projects

- Network delayering
  - Seeking «optimum-minimum» simplification for the network architecture
- IT delayering
  - Delayering of application level & enterprise infrastructure
- Real Estate planning
  - Space optimization
- Insourcing
  - Processes internalization: “in-house” tasks for "core" activities
- Channel rationalization
  - Commercial channel revision
- Caring Services
  - Inbound call reduction
Brazil: Sharpening our Marketing Approach

A new way to look at the pre-paid segment

From a two-tier market …

- pre-paid = “low value” customers
- post-paid = “high value” customers

…to the addition of a new customer profile:

- a new way to look at pre-paid: higher users in this segment create a potential CB basin where to upsell clients a “hybrid” post paid concept
  - Plan Controle = the “mid value” customers

Leverage on Mobile BB

Now: increasing Small-Screen penetration in our CB: the best-fitting way to deliver and sell our MBB strategy

Next: strengthening our Network to widely address and capture intensive users (Large screen)

From multi SIM to single SIM

The forthcoming MTR cuts will imply:

- negative effect in the short term  off-net costs reduction  increasing value per line on pre-paid segment (opportunity to regain share of wallet of Multi-SIM customers)

Our Customers will grow and will be worth more
Governance

A recent Corporate Governance benchmarking exercise employed by Telecom Italia highlights certain elements of comparison between Telecom Italia Corporate Governance practices and those of other large corporates(1). The analysis reveals the following main results:

**Composition of the Board of Directors**
- Domestic benchmark: on average, the Board includes 13 members, in line with Telecom Italia by-laws rules (between 7 and 19)

**Number of members appointed by Majority List**
- Domestic benchmark: in 40% of the cases the Majority List is entitled to appoint 7/10 of the Board members
- Telecom Italia by-law: the Majority List is entitled to appoint 4/5 of the Board members

**Percentage of Independent Directors**
- Domestic benchmarking: on average, 60% of Board Directors are Independent
- European TLC peers: on average, 50% of Board Directors are Independent

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(1) Italian panel: Eni, Enel, Unicredit, Intesa San Paolo, Generali, Snam, Atlantia, Fiat, Terna, Saipem, Pirelli, Mediobanca, Parmalat, Mediaset, Prysmian, Finmeccanica; EU TLC peers: Telefonica, Deutsche Telekom, British Telecom, Vodafone, Orange
Agenda

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## Takeaways

### Group
- No cash injection needed for deleveraging
- Plan fully funded by recent €2bn capital strengthening and supported by cost cutting / transformation programs
- Strong liquidity position

### Domestic
- Powerful competitive position both in fixed & mobile
- Investing for growth and to confirm leading technological position

### Brazil
- Great data opportunities in Brazil to be reaped in 2014-2016
- Important investment plan to capture the full potential of data
- TIM Brasil is a well-managed strategic asset

### Financials

<table>
<thead>
<tr>
<th></th>
<th>Revenues</th>
<th>Ebitda</th>
<th>Capex(^{(1)})</th>
<th>Net Debt Adj /Ebitda 2016(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cagr '13-'16</strong></td>
<td>Stable</td>
<td>Stable</td>
<td>Cum. '14-'16</td>
<td>~ 2.1x(^{(3)})</td>
</tr>
<tr>
<td><strong>Negative Low Single Digit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capex/Revenues</strong></td>
<td>~ 18%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Capex/Revenues</strong></td>
<td>~ 17%</td>
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<td></td>
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</tr>
</tbody>
</table>

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**Domestic Ebitda: 2015 is the floor, stabilizing/growing from 2016**

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\(^{(1)}\) excluding spectrum  
\(^{(2)}\) reported EBITDA  
\(^{(3)}\) including announced equity strengthening excluding impact from non-organic items and FX. Avg exchange rate: Reais/€ 2.99