

TELECOM ITALIA GROUP

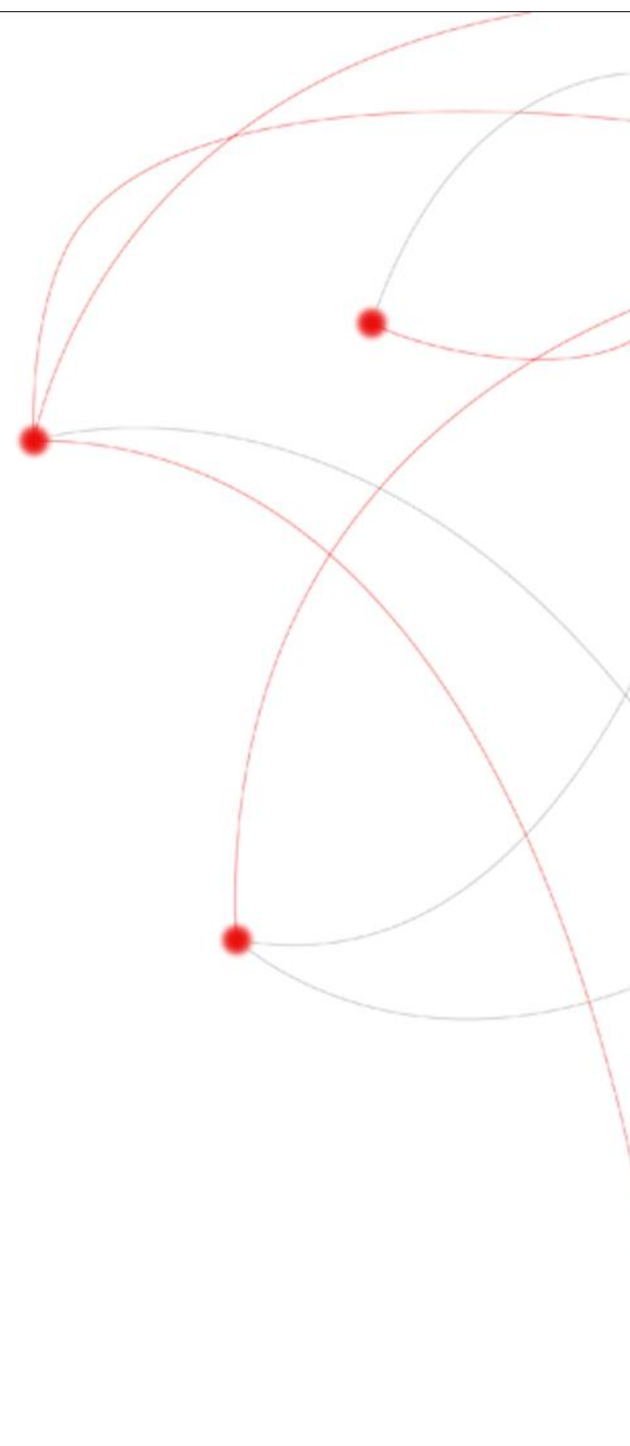
IQ '14 Results

Milan, May 13th 2014

Telecom Italia Group

IQ 2014 Results

MARCO PATUANO – PIERGIORGIO PELUSO



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 Telecom Italia 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 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 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 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 Abbreviated Consolidated Financial Statements as of and for the three months ended 31 March 2014 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2013, to which reference can be made, except for the new standards and interpretations adopted by the Telecom Italia Group which didn't impact on the Abbreviated Consolidated Financial Statements as of and for the three months ended 31 March 2014. Please note that the limited review on the Telecom Italia Abbreviated Consolidated Financial Statements at 31 March 2014 has not yet been completed.

Following the classification, starting from the fourth quarter 2013, of the Sofora - Telecom Argentina group as a disposal group (Discontinued operations/Non-current assets held for sale) the consolidated financial statements data of prior periods (including the first quarter 2013) have been restated accordingly and therefore the Sofora - Telecom Argentina group is no longer separately presented as a business unit.

Furthermore:

- starting from the first quarter 2014, Organic change in Revenues, EBITDA and EBIT are determined excluding, where applicable, only the effects of the change in the scope of consolidation and exchange differences and therefore don't take into account, as in the past, non-organic income and expenses, including those non-recurring;
- effective as of and for the three months ended 31 March 2014, the results of the Olivetti group are included in our "Domestic" business unit mainly as result of its commercial and business activities as well as the complementarity of its products and services with respect to the ones offered by Telecom Italia in the domestic (Italian) market. In the past, the results of the Olivetti group were included in the "Olivetti" business unit;

as a result, the data for prior periods under comparison have been restated, accordingly.

Agenda

- **TI 1Q'14 Results**
- Progressing in TI's new course
- Financial Update
- Take-Aways
- Appendix

Telecom Italia 1Q'14 Results

€mln, %YoY

		1Q'14		Reported	Organic ⁽¹⁾	
		€mln	Weight ⁽²⁾	YoY	YoY	net of new SAC policy
Revenues	Group	5,188		-11.9%	-6.2%	n.a.
	Domestic	3,728	72%	-8.3%	-8.3%	n.a.
	Brazil	1,451	28%	-18.8%	-0.2%	
Ebitda	Group	2,200		-8.4%	-5.7%	-4.3%
	Domestic	1,792	81%	-8.2%	-8.2%	-6.6%
	Brazil	406	18%	-12.3%	+7.8%	
Capex	Group	684		-10.7%	-5.8%	-1.2%
	Domestic	493	72%	-14.9%	-14.9%	-9.5%
	o/w innovative	130		+35%		
Brazil	189	28%	+6.2%	+30.4%		
Ebitda - Capex	Group	1,516		-7.3%	-5.7%	n.a.
	Domestic	1,299	86%	-5.5%	-5.4%	n.a.
	Brazil	217	14%	-23.9%	-6.4%	

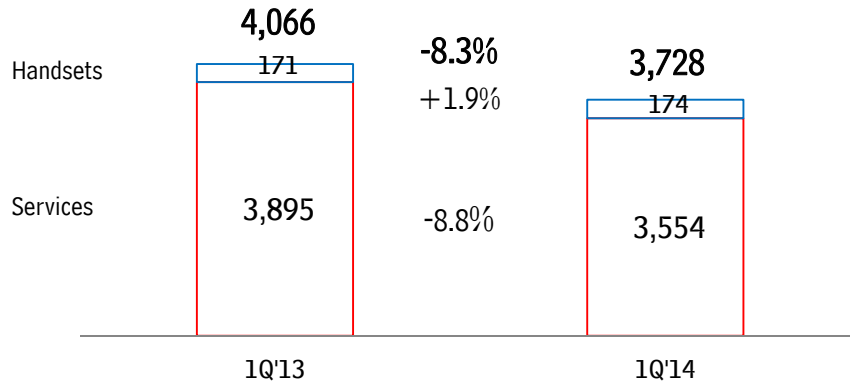
(1) Starting from 2014, Organic performance includes only exchange rate variations and impacts from perimeter changes

(2) Including TI Media, other & elimination. Olivetti is now included in the Domestic perimeter

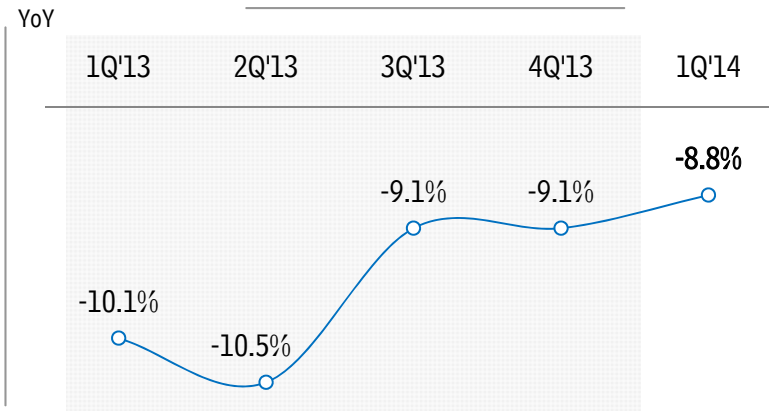
Domestic ⁽¹⁾ Performance Dashboard

Reported data, €mln, %YoY

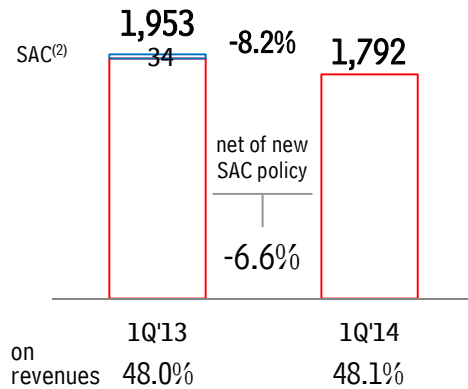
Total Revenues



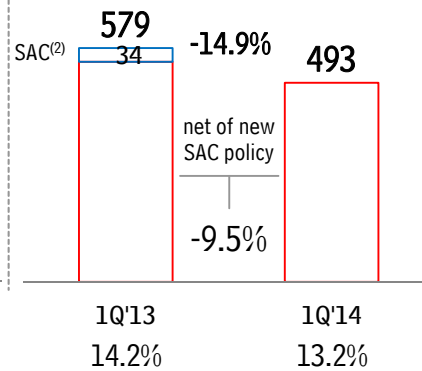
Service Revenues Trend



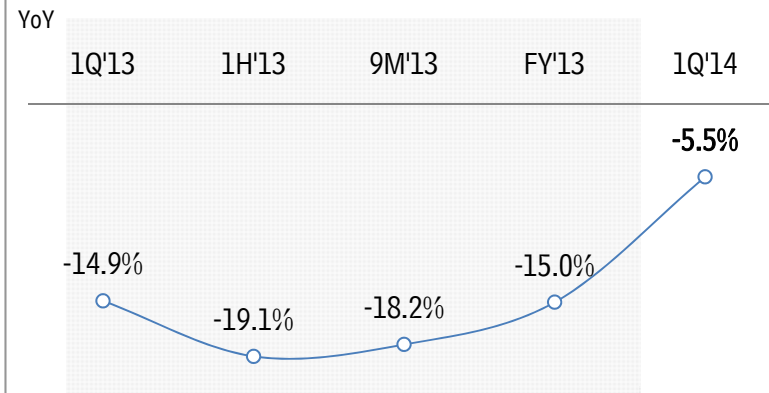
Ebitda



Capex



Ebitda - Capex



1) Including Olivetti in the Domestic Perimeter

2) SAC FY'13: 188 mln euro

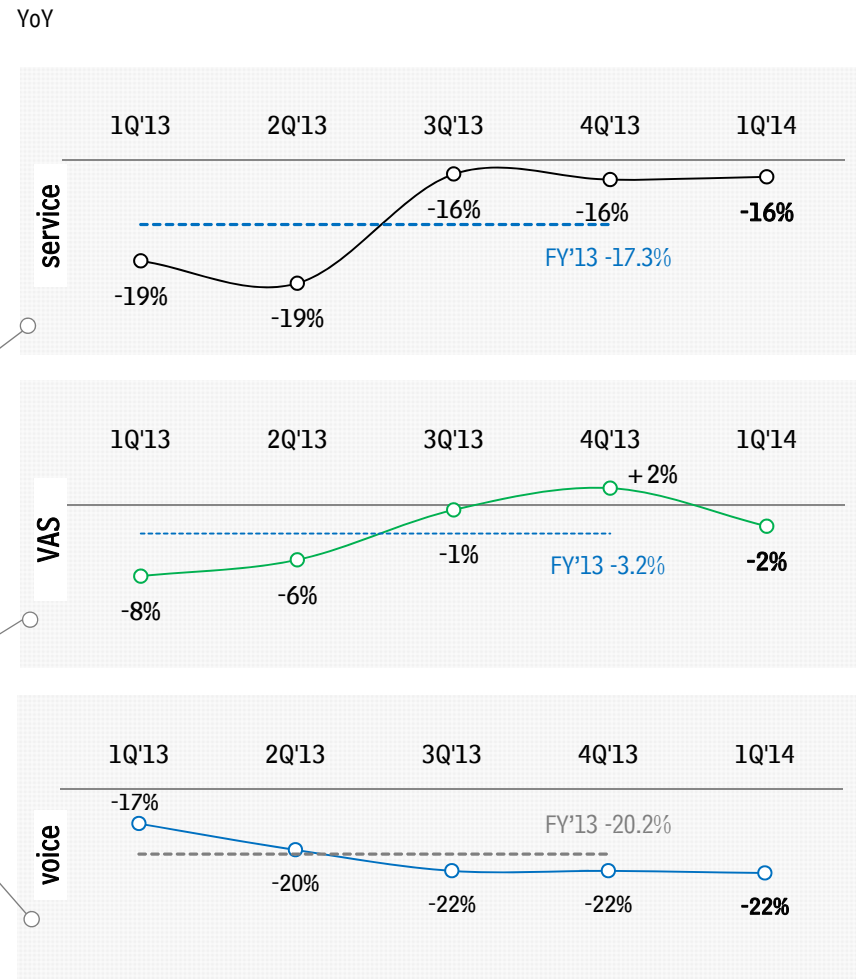
Domestic Mobile Revenues

Reported data, €mln, %YoY

Total Revenues

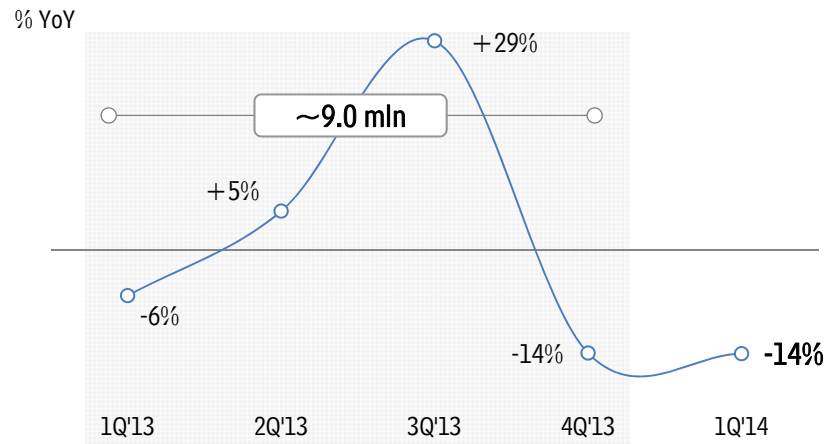
Category	1Q'13	%YoY	1Q'14
total	1,372	-14.4%	1,175
handsets	80	-5.7%	76
total service	1,292	-14.9%	1,099
wholesale & others	87	-4.7%	83
retail service	1,205	-15.6%	1,017
business received	47	-15.7%	39
business generated	1,159	-15.6%	978
VAS	465	-2.3%	455
voice	645	-22.0%	503
fees&others	48	-58.6%	20

Retail Revenues Trend

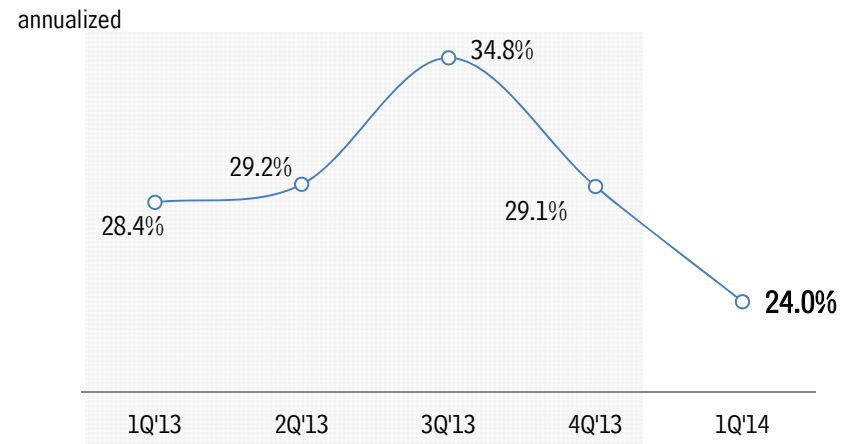


Domestic Mobile KPIs

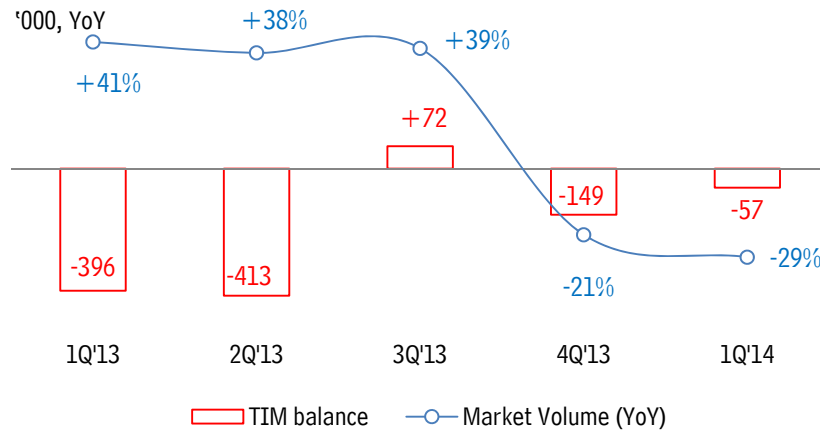
Gross Adds



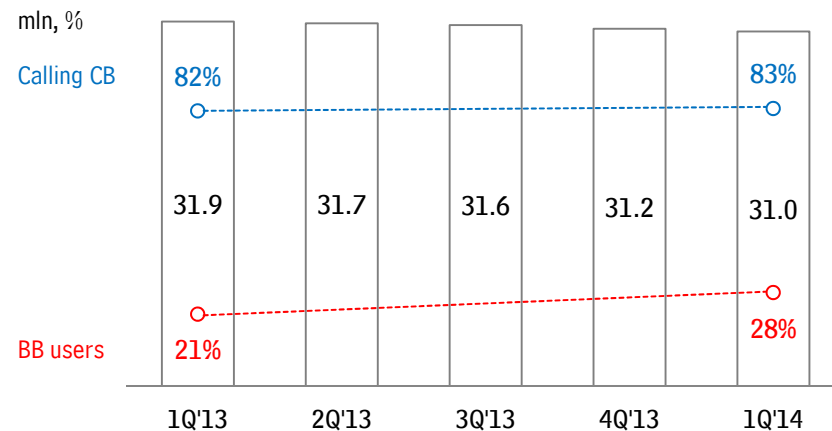
Churn



MNP: Market Volume & TIM balance



Customer Base



Domestic Fixed Revenues

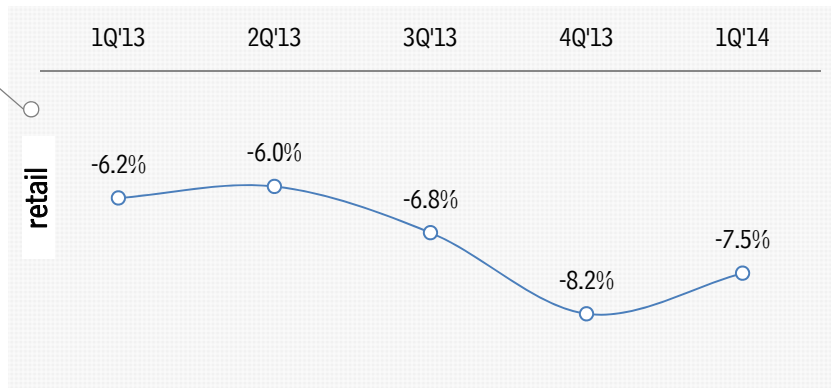
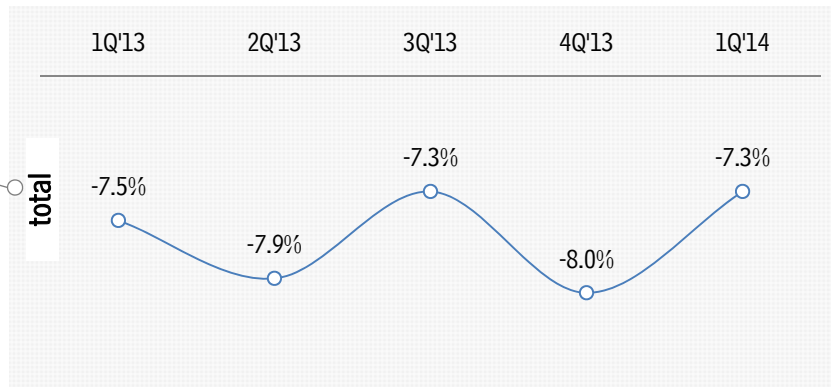
Reported data, €mln, %YoY

Total Revenues

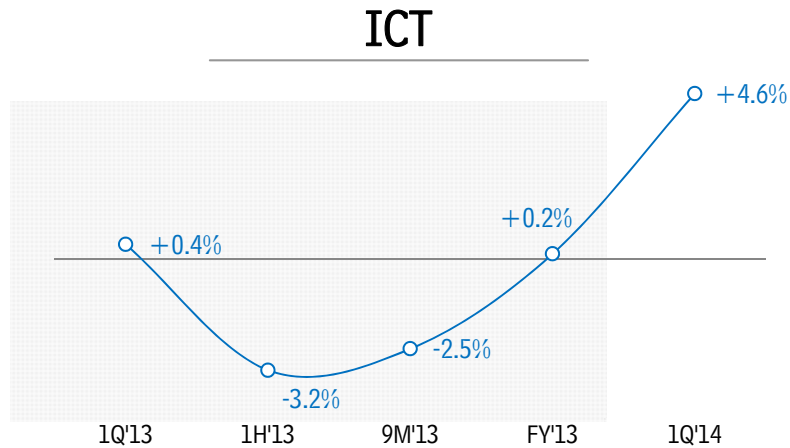
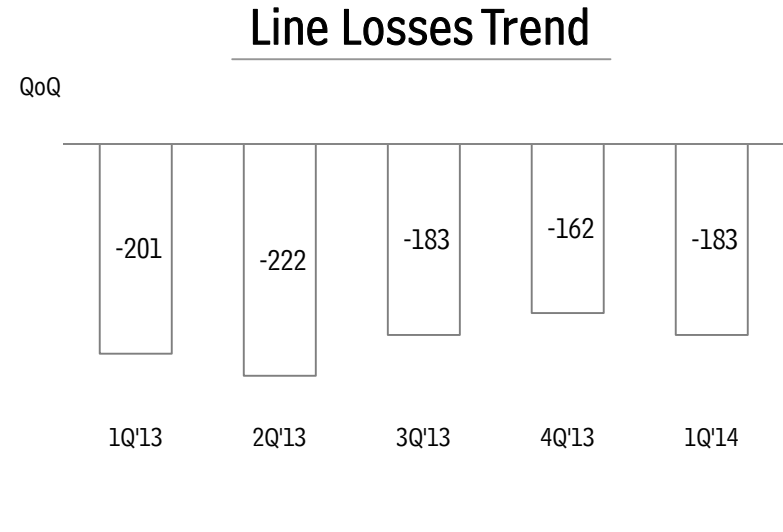
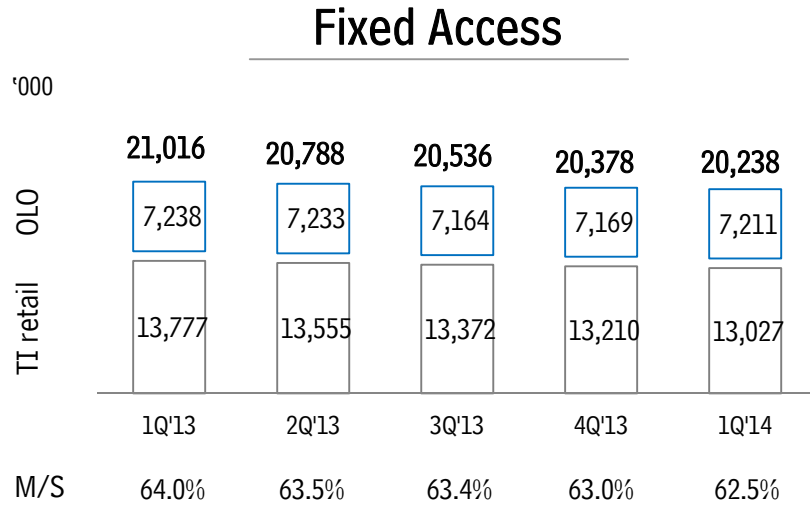
	1Q'13	%YoY	1Q'14
total	2,976	-6.9%	2,771
equipments	46	+23.7%	56
total service	2,930	-7.3%	2,715
Sparkle	283	+6.4%	301
domestic wholesale	709	-12.8%	618
retail service	1,989	-7.5%	1,840
other	56	n.m.	48
business data	273	-2.3%	267
internet	401	flat	401
access&voice	1,259	-10.8%	1,124
elim. & adj.			

Service Revenues Trend

YoY



Domestic Fixed KPIs

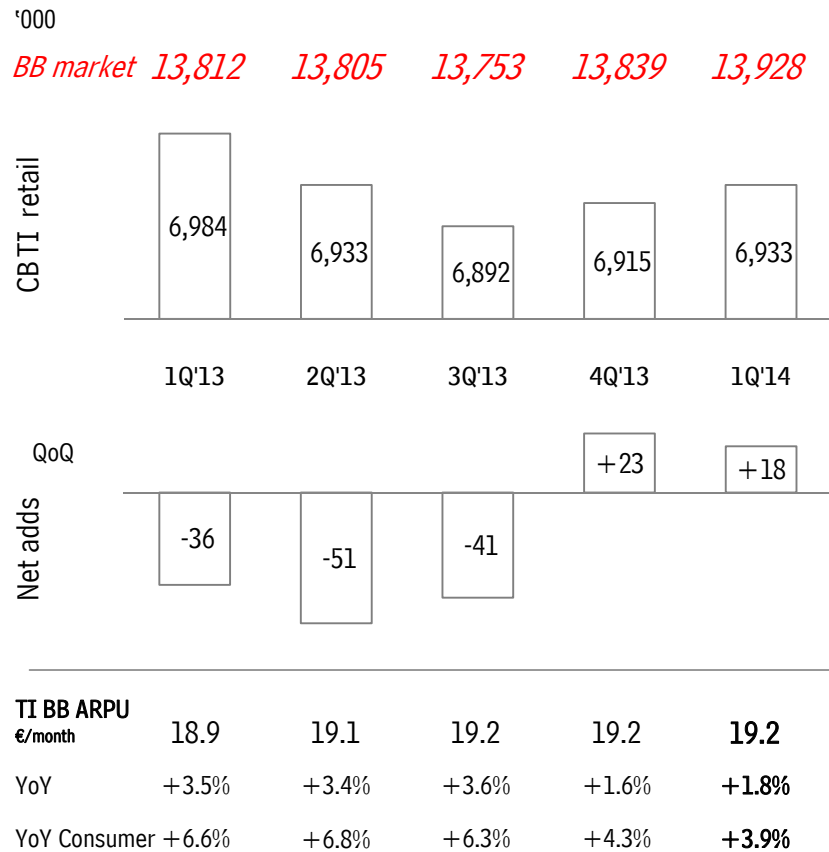


Highlights

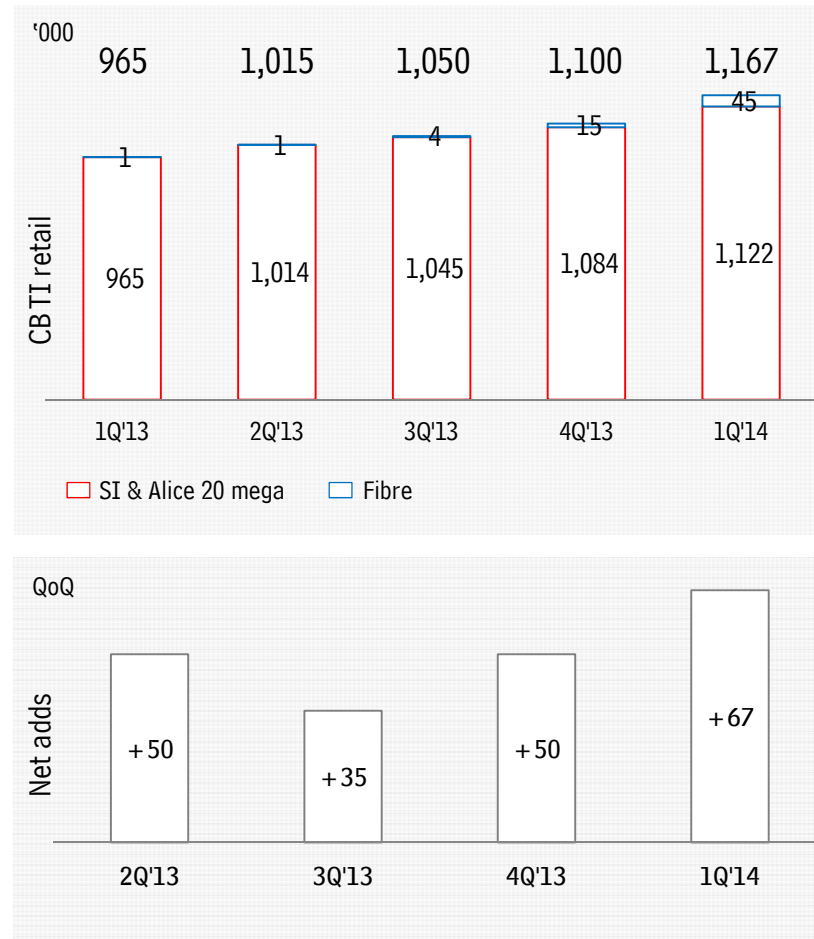
- TI's customer base erosion due to different mix: stable contraction of TI Retail Calling accesses (-140k) and increasing disconnections of Retail OLOs Calling in TI Access Base (*carrier selection* and *carrier preselection*)
- Constant progression in Unified Communication Solutions adoption in Business Segment: number of lines optimization per site, increasing a more diversified ICT spending

Domestic Broadband KPIs

BB Access



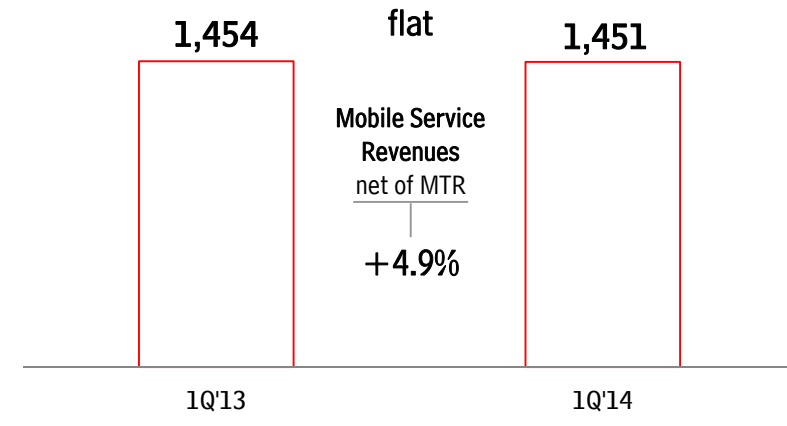
Fast BB Access



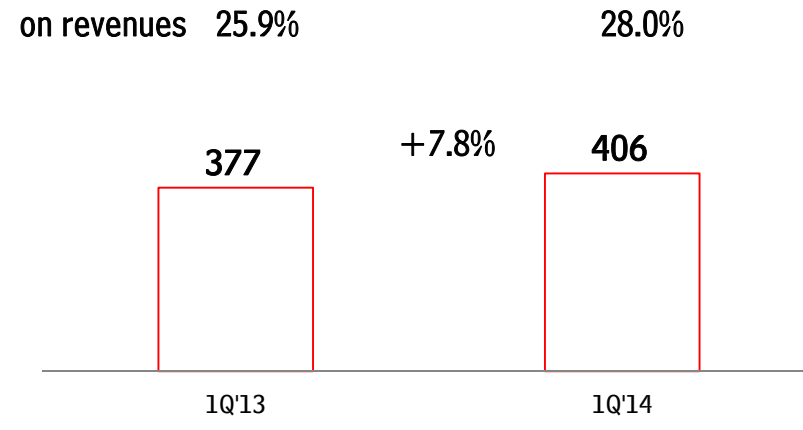
TIM Brasil Performance Dashboard

Organic data, €mln, %YoY

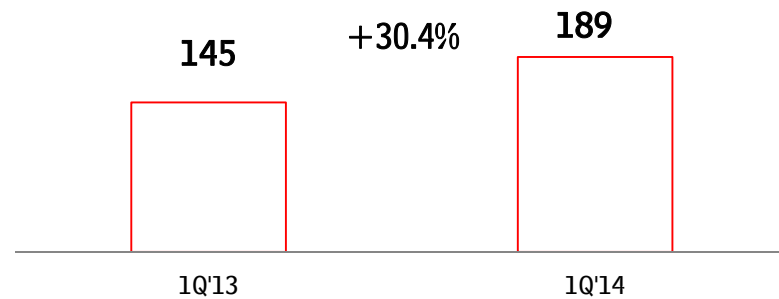
Revenues



Ebitda



Capex



Highlights

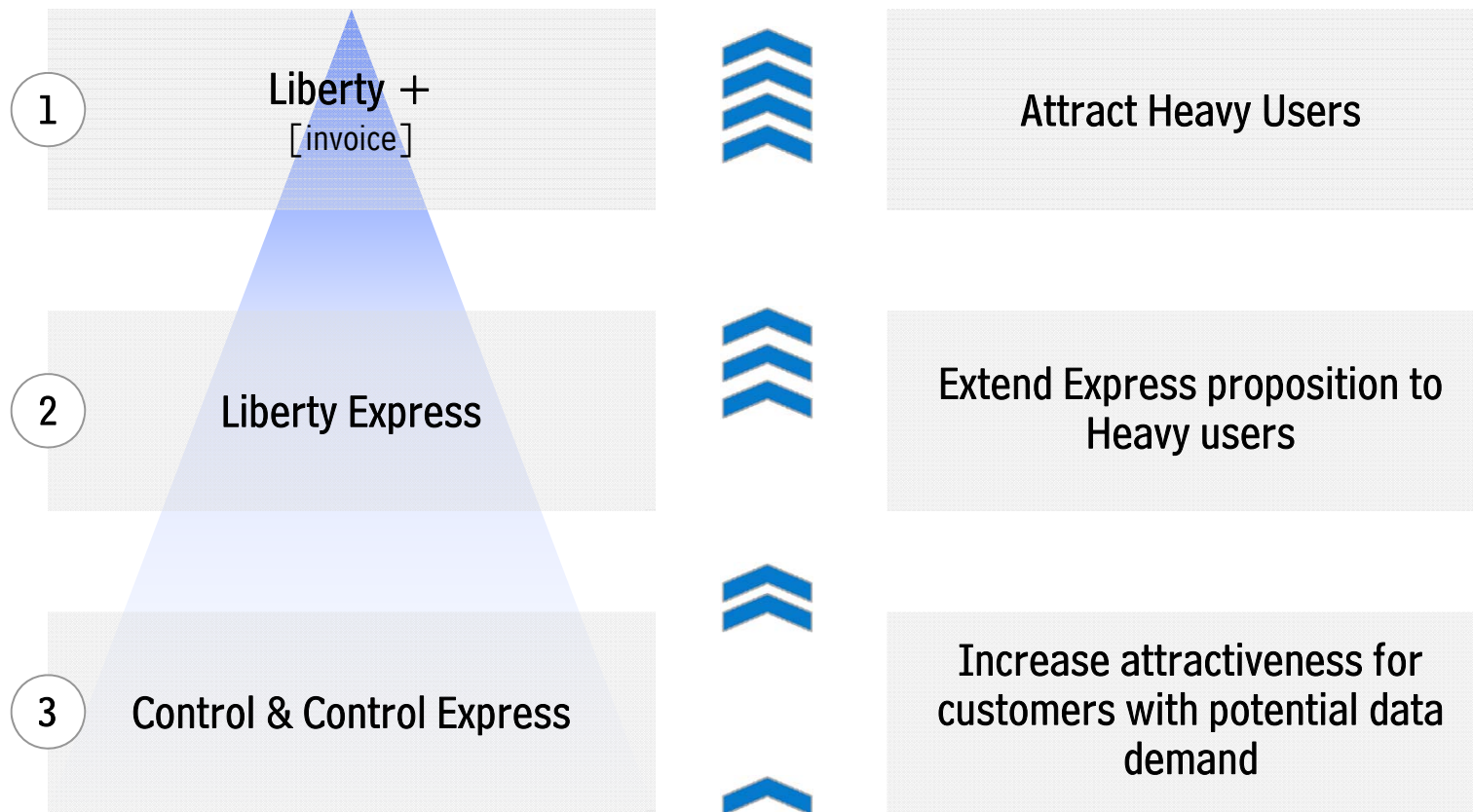
- Stable topline in a more difficult macro, competitive and regulatory environment. Mobile service revenues grew by 4.9% YoY net of 25% MTR cut in February
- In 1Q'14 TIM maintains its market share (at 27.0% with 73.9mln subscribers) and still leads total customer base growth (TIM +4% YoY)
- Very strong cost control lead to a remarkable 8% growth in EBITDA with a very sound EBITDA Margin (at 28.0%)
- High commitment to Network Quality improvement: total Capex+30% YoY in 1Q14 (13% of revenues) around 95% allocated to infrastructure



TIM Brasil: Increasing Offering Attractiveness in Post-Paid

Offers

Objectives



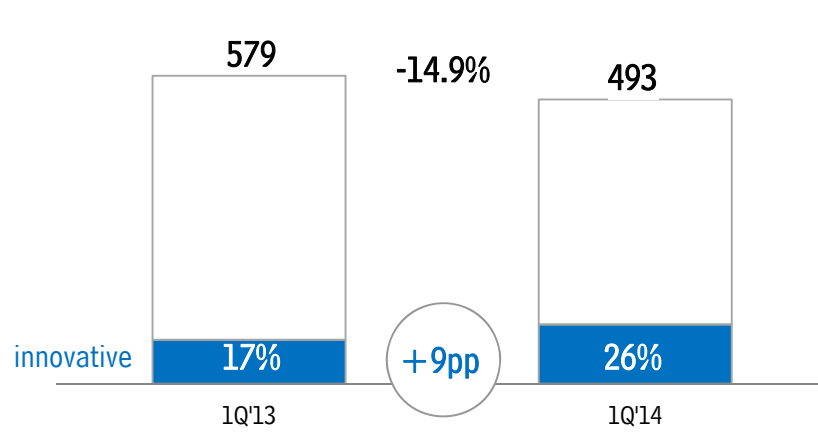
Agenda

- TI 1Q'14 Results
- **Progressing in TI's new course**
- Financial Update
- Take-Aways
- Appendix

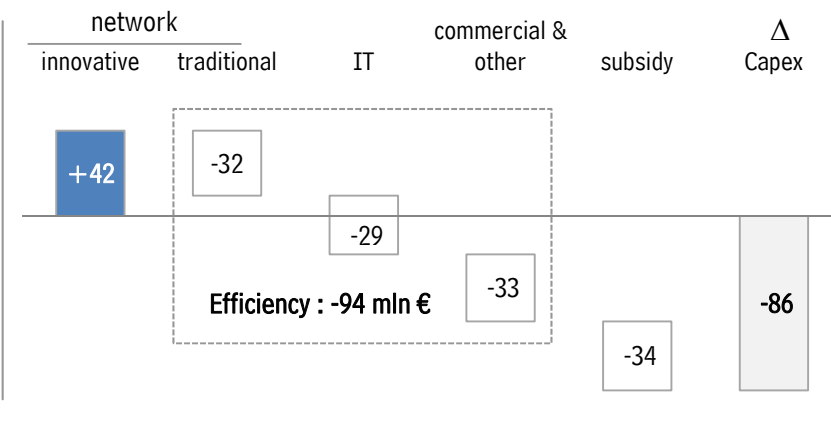
Innovation drives Commercial take-up & Efficiencies

€mln, %YoY

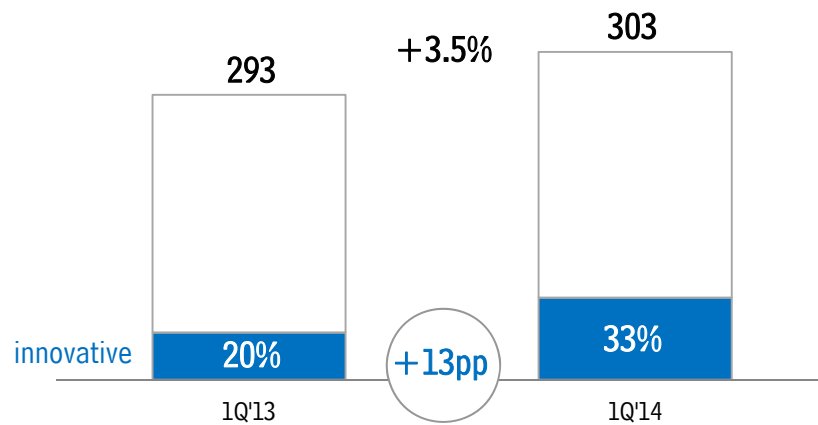
Total Domestic Capex



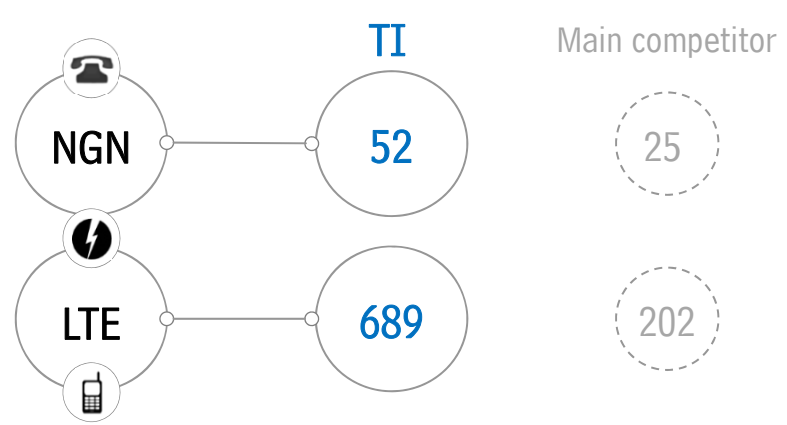
Capex Efficiency



Network Capex



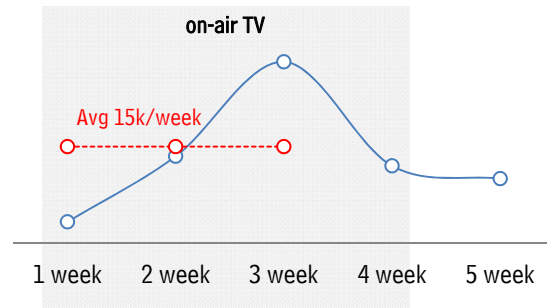
Coverage - Municipalities



“Smart” opens the gate to Convergence



1 Sound take-up rate



2 Option repricing ensured commercial consistency after promo phase

Mobile voice Unlimited mins vs fixed & mobile 10€/m **>** 800 mins/m vs fixed & mobile 10€/m

SIM Plus 400 min/sms & 2GB 10€/m **>** 400 min/sms & 1GB 15€/m

3 Accretive on ARPU and KPIs

		fixed	
		CB	new_line
mobile	CB	-	+
	new_line	+	++

- More than 50% of «TIM Smart» activation are new fixed clients
- ~70% of «TIM Smart» activation are on existing CB

Commercial Evolution: Sparked-up by Strategic Projects

Strategic Projects

Convergent offers

a

- Develop triple & quadruple play offers

Fixed Ultra BB

b

- Maximise return on investment

Mobile Ultra BB

Mobile Towers

c

- Valorization of Infrastructure

Rebranding

d

- "TIM" as one single commercial brand

Maximise return on investments

Fixed Ultra BB

- Strong leadership in connectivity as TI is the unique operator in Italy with a national footprint UBB Plan: NGN coverage of ~19% of population as of March 2014
- Good Progression in fiber take-up rate and value recognition in very-high «QoS»
- Strategic agreement with Sky is now closed: contents are a key reason for accelerating trend in BB adoption

Mobile Ultra BB

- Capitalizing on the rational approach for 3G: data reduction in bundles supports our long term strategy
- Leverage on the leading position in 4G: best coverage, speed and reliability
- Premium Content based Services

LTE is a unique opportunity to change both the market approach and the pricing level

Expand Economic Leadership with Fibre

1

Positive
Commercial
take-up



2

Geomarketing strategy
started in April

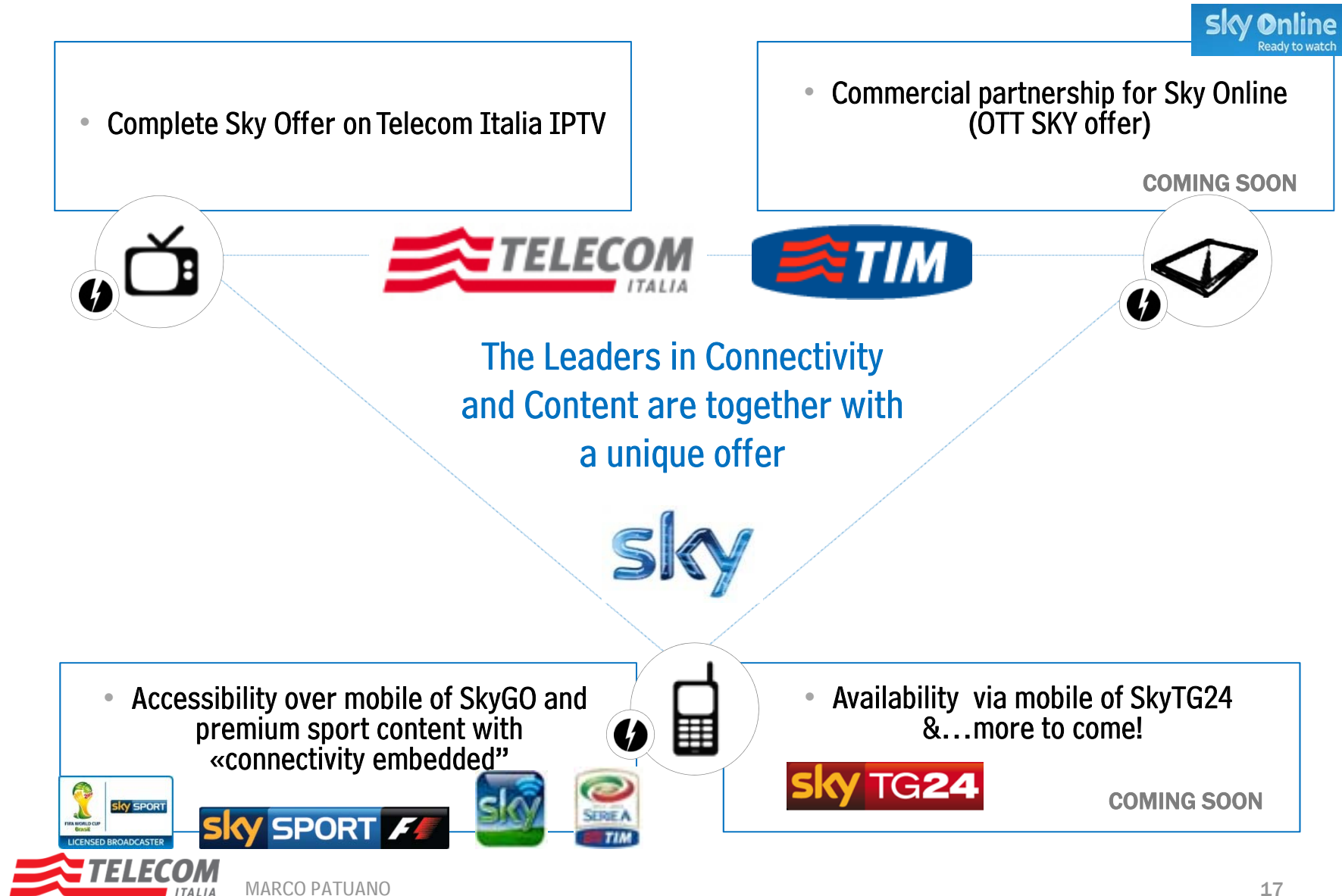
3

Customer
satisfaction is
evident

4

TI and SKY: the leaders in
connectivity and video
content are now together
for an exclusive offer

TI & SKY: a strong Partnership



Building new Value from a Rational Mobile Market

Until now: Repairing the Market

1 September - December 2013

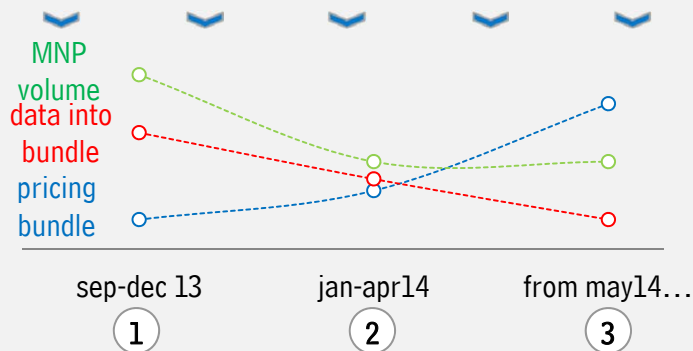
- After 2013 aggressive summer campaign, mobile Italian market moved back to rationality on 3G: all the main operators reduced volumes in the «entry level pricing» offers

2 January - April 2014

- Further price recovery post Christmas Campaign and launch of “SMART” convergent offer

3 from May 2014...

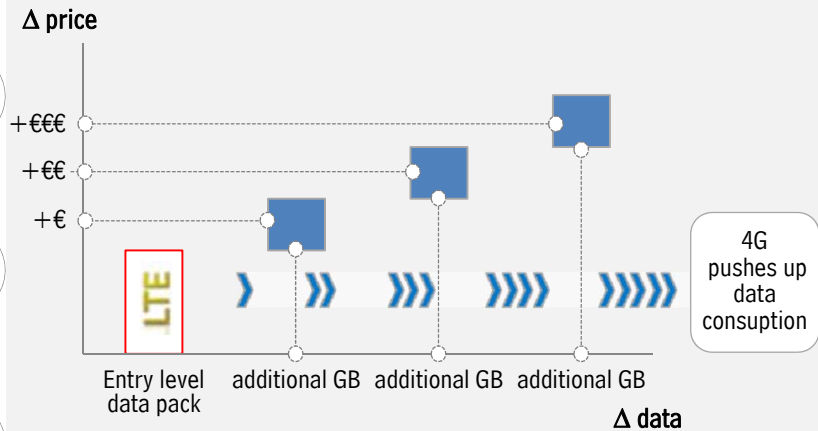
- Long-term sustainability approach - increasing value per GB, through further reduction in 3G pack: data from 1GB/month to 0.5 GB/month



From now on : leveraging on 4G competitive advantage

- Lever on «First Mover» advantage with a «Network Quality Strategy»
- “Best technological available approach” moves customers on 4G. Data hungry segments will pay more for more data

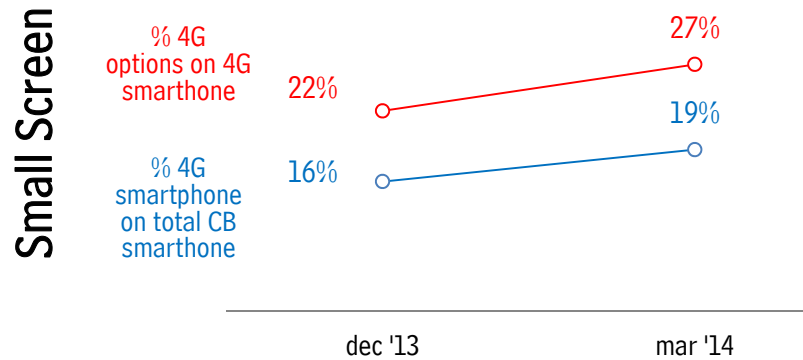
ARPU uplift on 4G



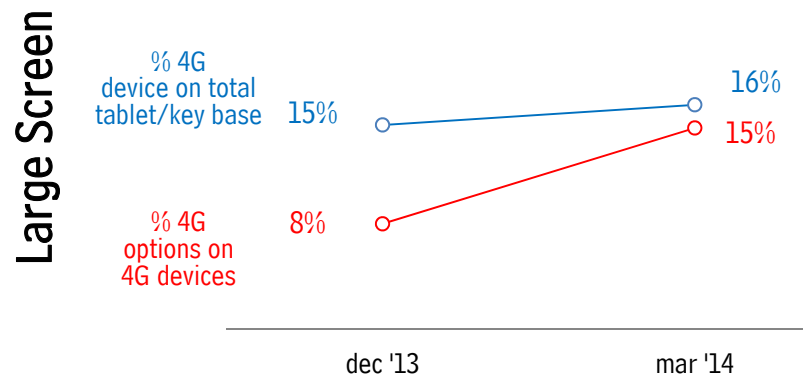
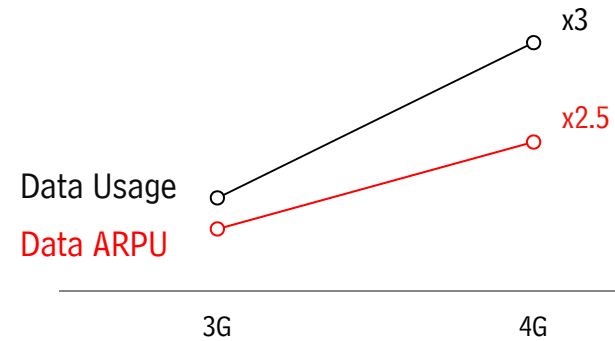
- Sound growth in 4G smartphone penetration together with a good take-up rate of 4G options
- Around ~500k 4G Users @ the end of March; +25% vs Dec '13

Focus on LTE: Enhancing First-Mover Advantage

Customer Base



4G vs 3G

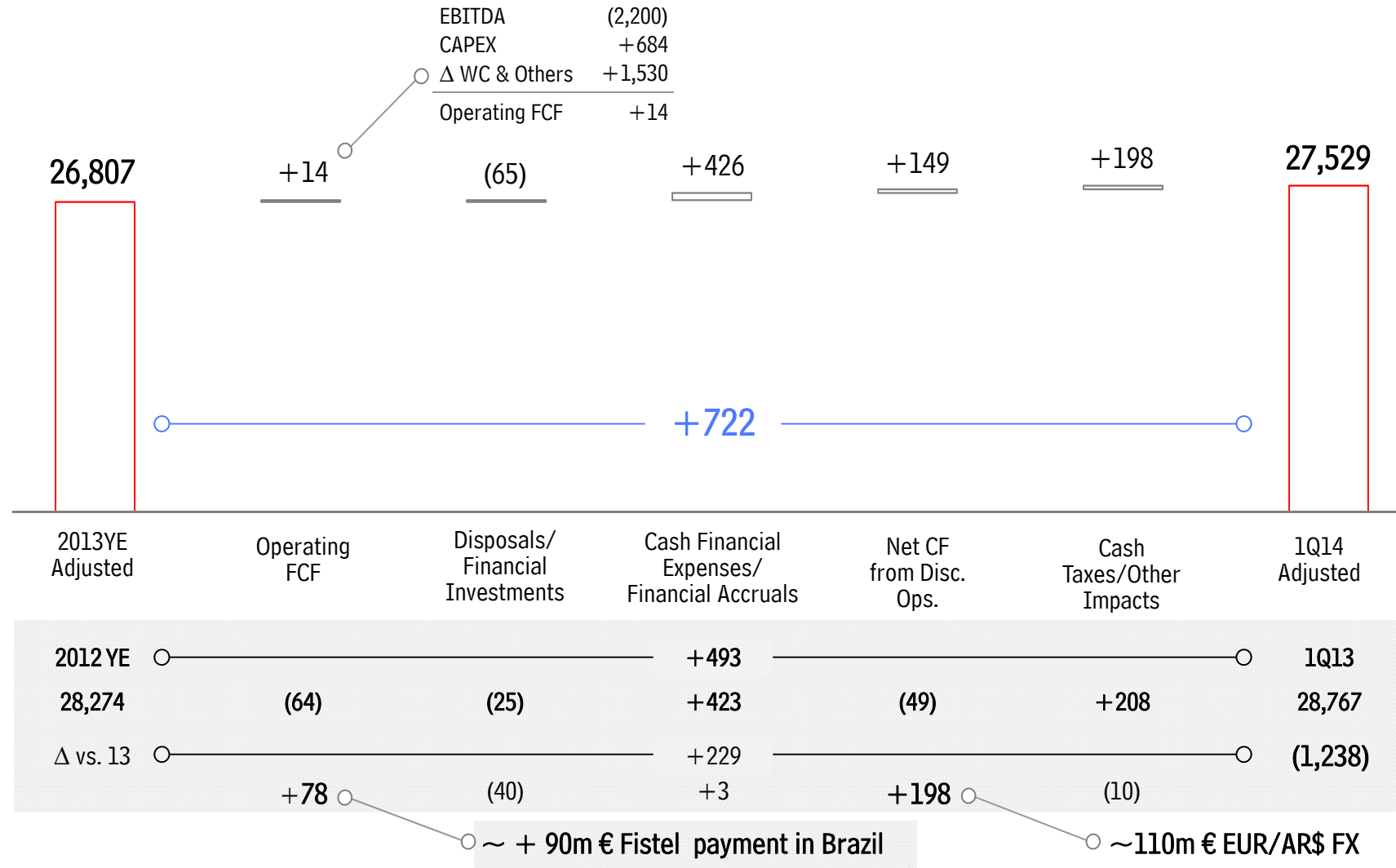


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1Q14 Net Debt Evolution

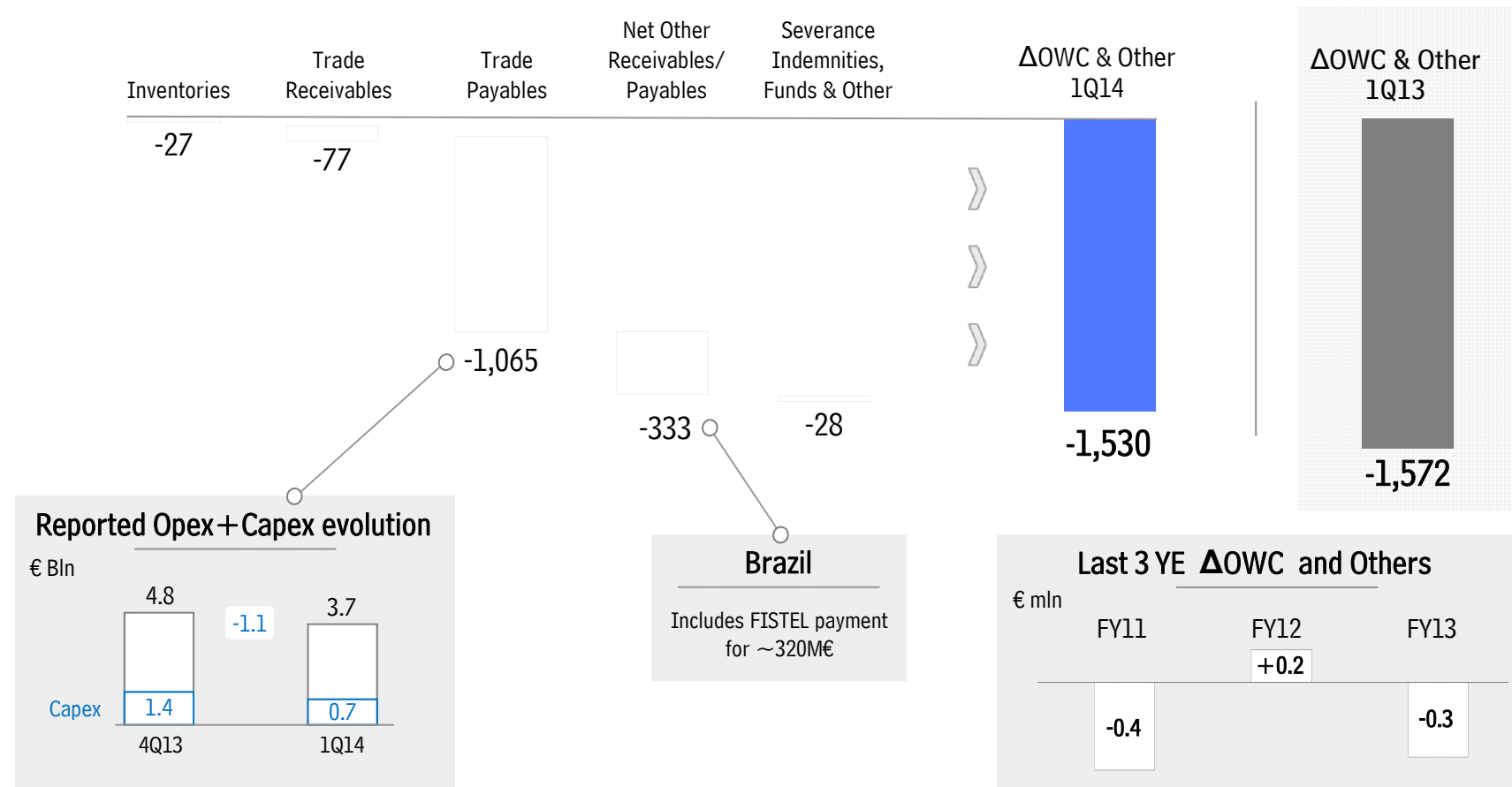
Euro mln, Reported Data



Focus on Working Capital

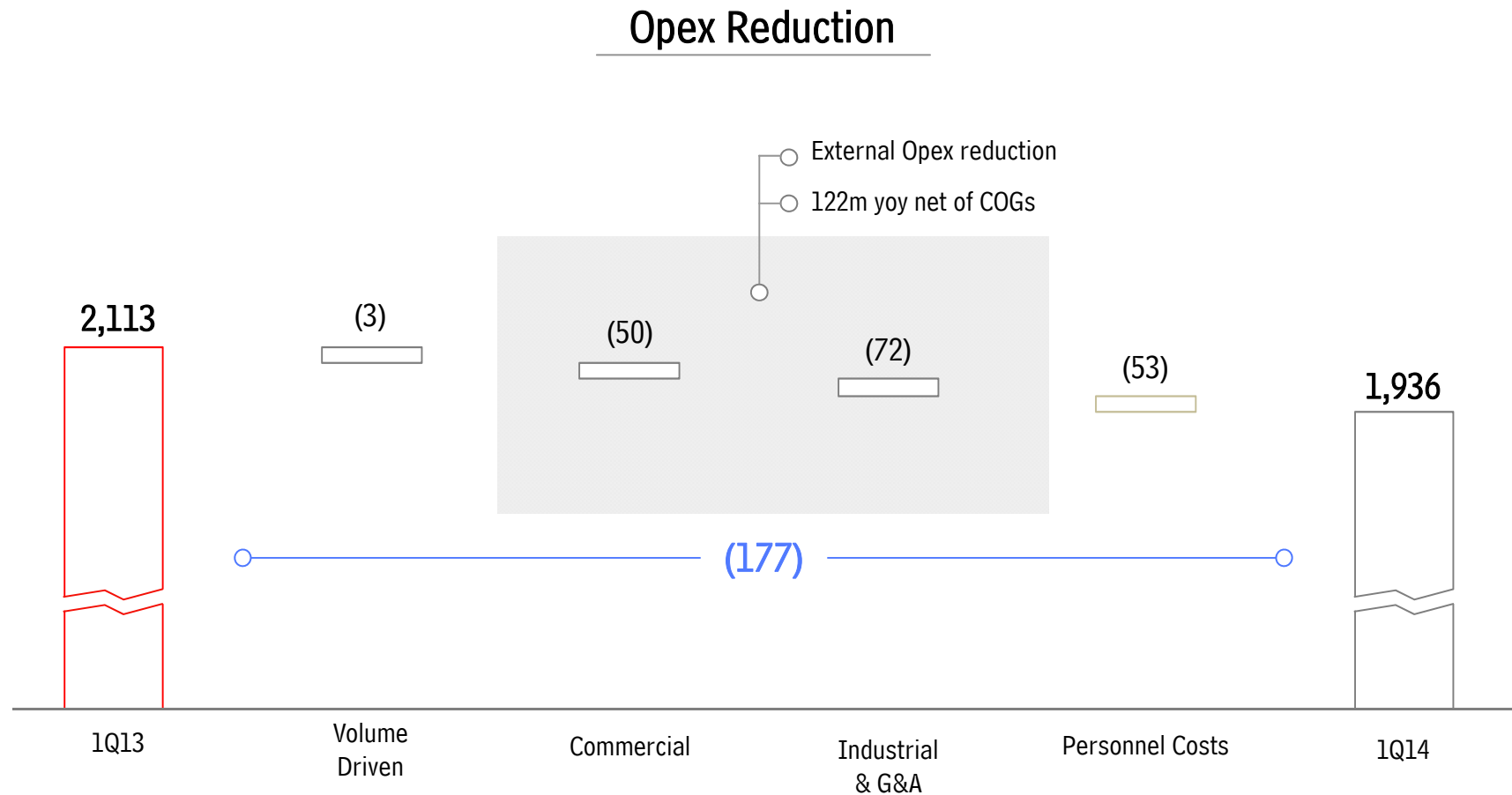
Euro mln, Reported Data

Delta Operating Working Capital (impact on 1Q14 Cash Flow)



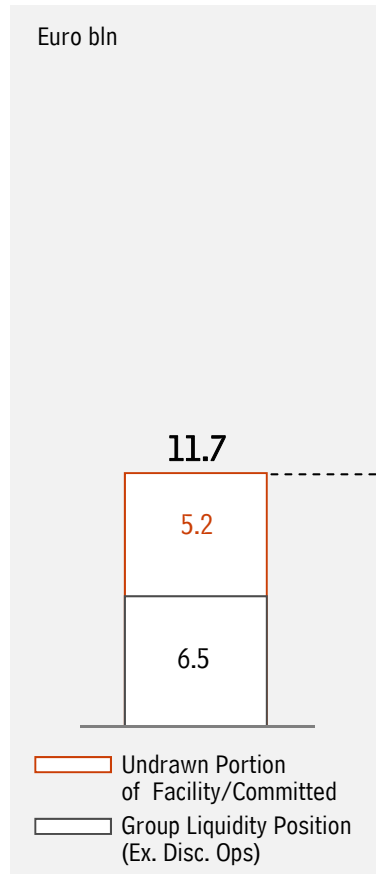
Progress on Domestic Opex Reduction

Euro mln, Reported Data

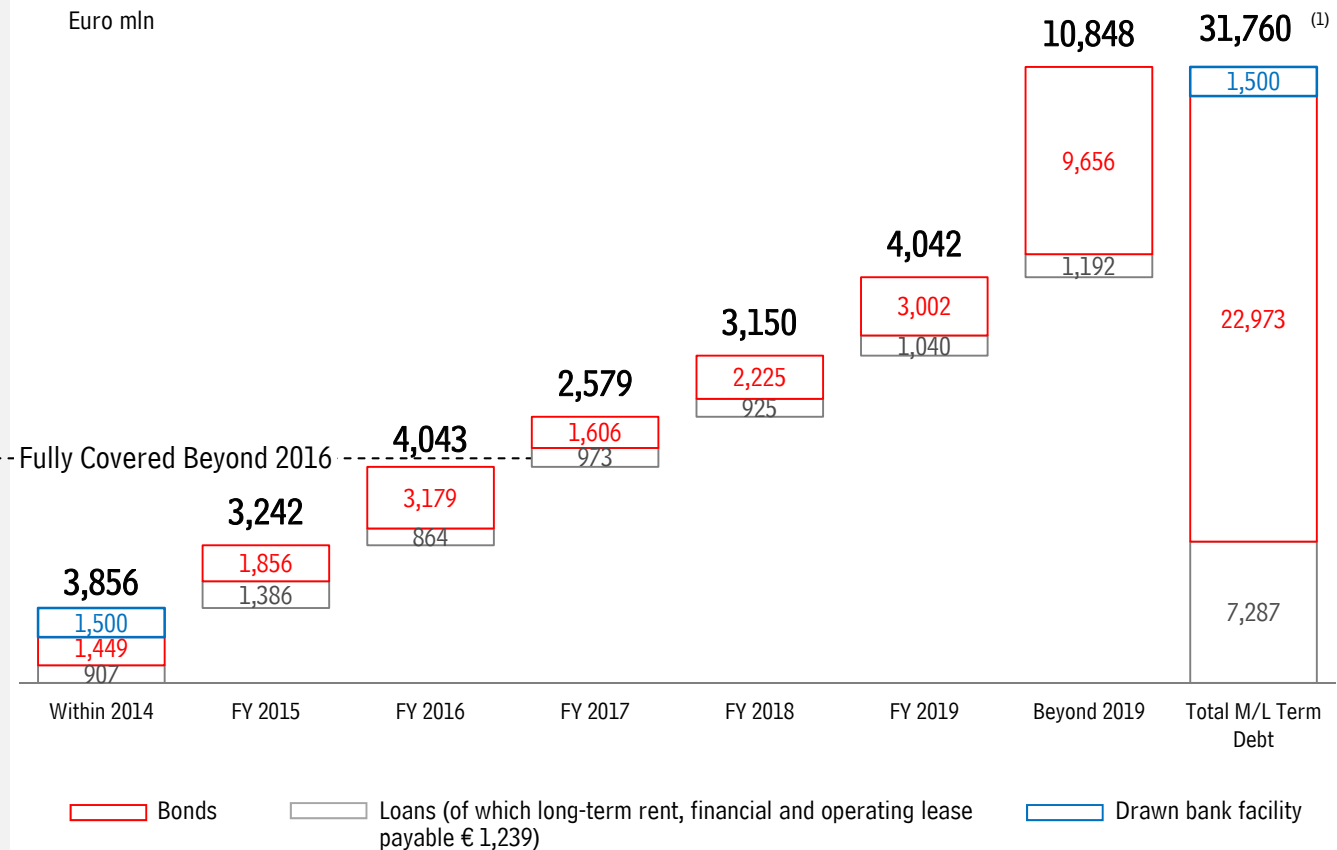


Robust Liquidity Margin and Well-Distributed Debt Maturities

Liquidity Margin

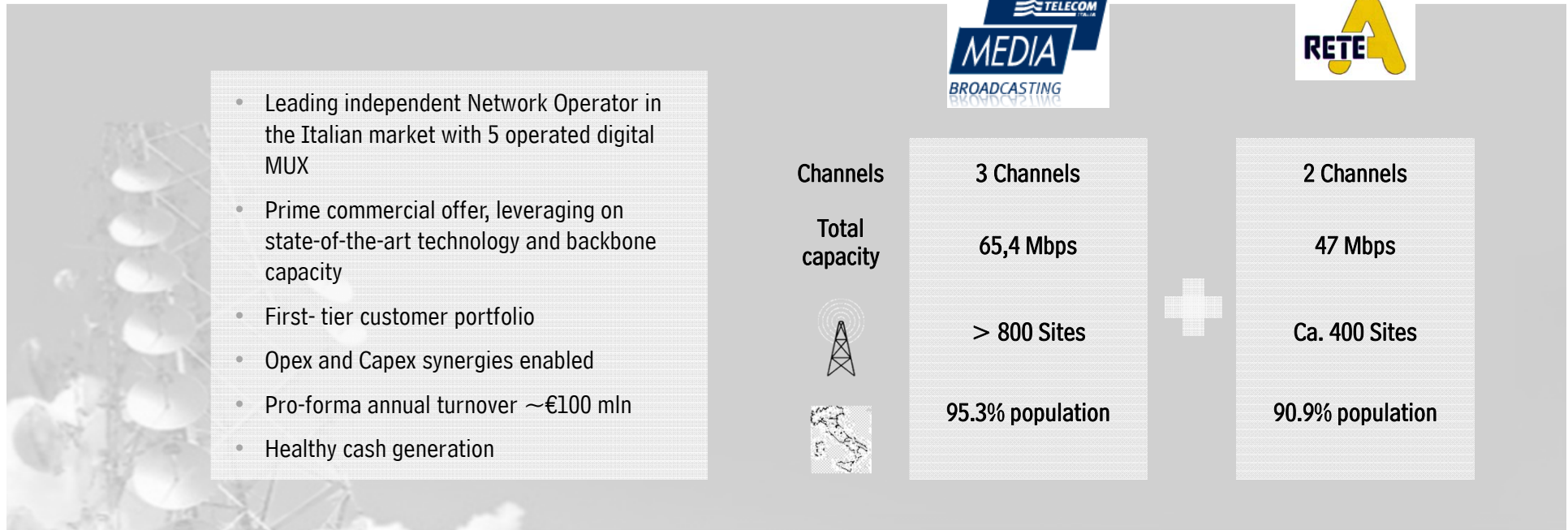


Debt Maturities



(1) € 31,760 mln is the nominal amount of outstanding medium-long term debt. Including Mandatory Convertible Bond (€ 1,300 mln), discontinued operations (€ 27 mln), IAS adjustments (€ 540 mln) and current financial liabilities (€ 424 mln), the gross debt figure of € 34,051 mln is reached.
 N.B. Debt maturities are net of € 2,151 mln (face value) of repurchased (of which € 1,144 mln in 2013 and € 599 mln in 2014) own bonds (of which € 1,936 mln related to bonds due within 2016).

TI Media Mux Project is moving on



- Advisors appointed
- Final **agreement signed** on April 9th
- Closing of the transaction subject to Italian Authority approval (expected by the end of June)
- Next activities will be focused on **operations integration**
- A market sounding process will be launched shortly, aimed at identifying investors interested in the Combined Entity

Brazil Tower deal: Process on track

Non-Binding Offers expected by End of May

- Dynamic Brazilian tower market maintains high attractiveness
- High level of interest shown to TIM process, both from financial and strategic investors
- Increasing mobile customers, data usage boost, coverage targets and technological evolution offer a significant growth profile in terms of towers and tenants



TIM tower portfolio

- TIM tower portfolio is one of the largest in Brazil: 6.5k towers nationwide, over 40% located in cities with more than 500k inhabitants
- Current co-tenancy (1.6x) is above Brazilian market average. Further opportunities are opened by important available space
- Only passive infrastructure elements in the perimeter (towers, poles, shelters, etc.) while the active transmission equipment will remain of TIM property

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Telecom Italia Targets

Organic data

	Group	Domestic	Brazil
Revenues Cagr '13-'16	Stable	Negative Low Single Digit	Positive Mid Single Digit
Ebitda Cagr '13-'16	Stable	Negative Low Single Digit	Positive Mid Single Digit
Capex⁽¹⁾ Cum. '14-'16	<14€bn	Capex/Revenues ~ 18%	Capex/Revenues ~ 17%
Net Debt Adj /Ebitda 2016⁽²⁾	~ 2.1x ⁽³⁾		

(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

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Domestic Mobile Revenues Breakdown

Reported data, €mln, %YoY

	1Q'13	1Q'14	YoY	FY'13 YoY
total	1,372	1,175	-14.4%	-14.8%
wholesale⁽¹⁾	87	83	-4.7%	+4.3%
Consumer + Business	1,285	1,092	-15.0%	-15.6%
services	1,205	1,017	-15.6%	-17.3%
business generated⁽²⁾	1,159	978	-15.6 %	-12.8%
outgoing voice	693	523	-24.6%	-18.8%
voice	645	503	-22.0%	-20.2%
fees&other	48	20	-58.6%	+3.0%
VAS	465	455	-2.3%	-3.2%
business received	47	39	-15.7%	-62.1%
handsets	80	76	-5.7%	+5.9%

(1) Including Visitors

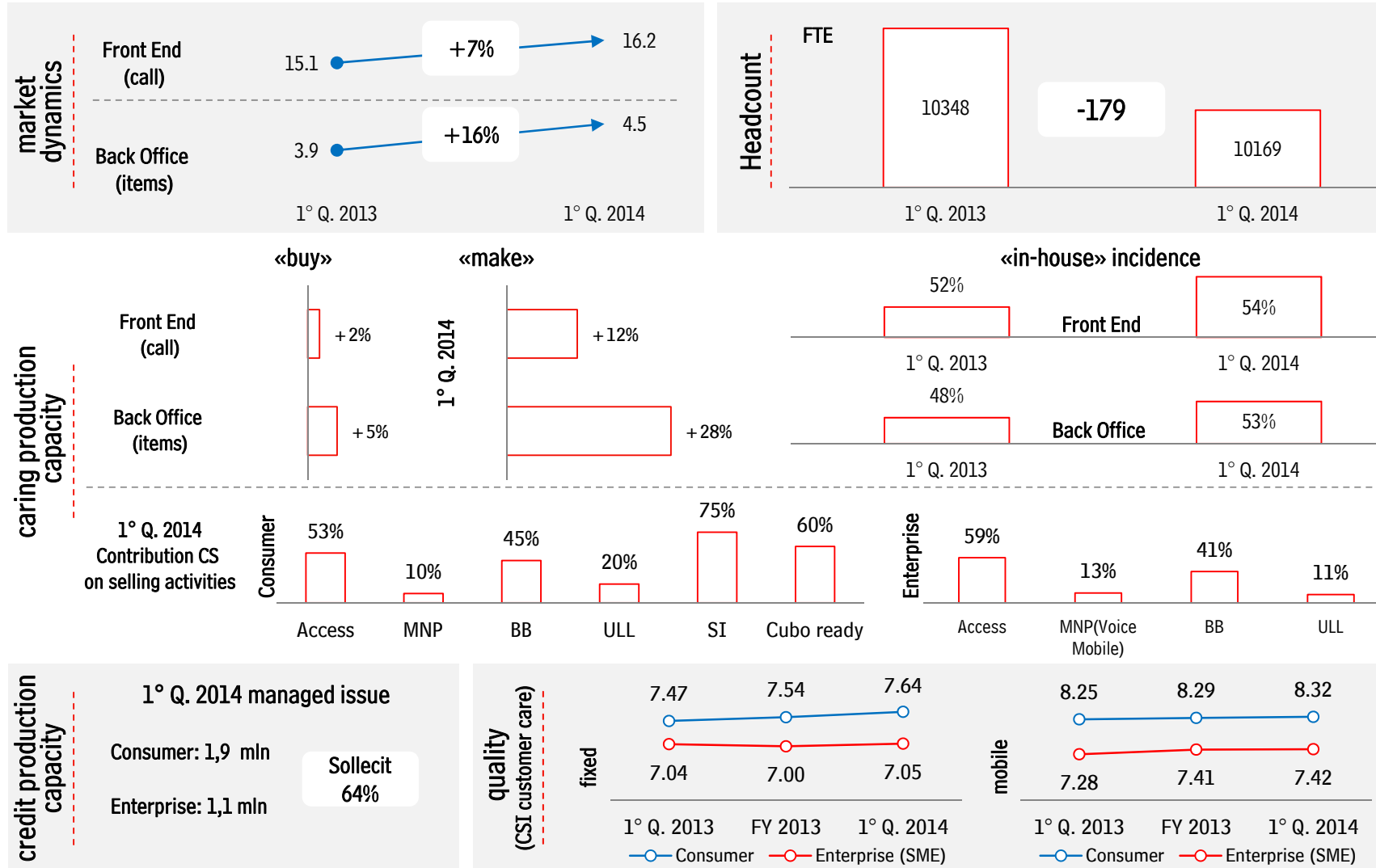
(2) Total Retail Service Revenues net of Incoming

Domestic Fixed Revenues Breakdown

Reported, €mln, %YoY

	1Q'13	1Q'14	YoY	FY'13 YoY
Total Wireline	2,976	2,771	-6.9%	-7.8%
Service Wireline	2,930	2,715	-7.3%	-7.7%
Sparkle group	283	301	+6.4%	-9.2%
Wholesale Domestic	709	618	-12.8%	-10.4%
Retail Service	1,989	1,840	-7.5%	-6.8%
voice & access	1,259	1,124	-10.8%	-9.3%
internet	401	401	-0.1%	+0.8%
business data	273	267	-2.3%	-2.3%
other	56	48	n.m.	n.m.
products	46	56	+23.7%	-10.9%
elim. & other	(52)	(44)	n.m.	n.m.

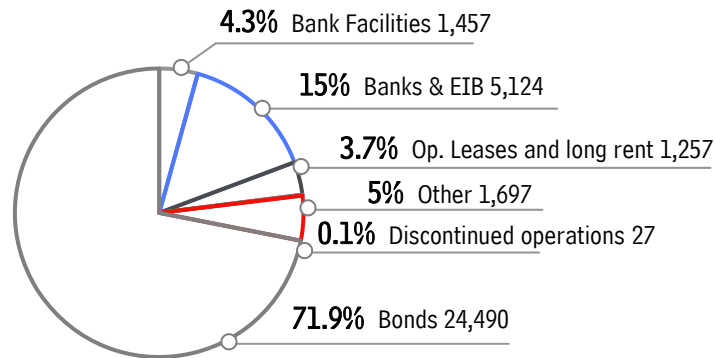
Customer Care: operating KPIs



Well-Diversified and Hedged Debt

Total Gross Debt net of Adjustment: Euro 34,051 mln

Euro mln



▪ Gross debt (of which 27 mln disc. Operations)	34,051
▪ Financial assets	(6,014)
of which Cash & CE and marketable securities	(5,234)
▪ Cash & Cash Equivalent	(3,945)
▪ Marketable securities	(1,289)
▪ <i>Italian Government Securities</i>	(1,006)
▪ <i>Other</i>	(282)
▪ Discontinued operations	(508)

Net Financial Position **27,529**

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 2,198 €mln (of which 698 €mln on bonds)
- the impact on Financial Assets is equal to 917 €mln

Therefore, the Net Financial Indebtedness is adjusted by 1,281 €mln

Maturities and Risk Management

- Average debt maturity: 7.04 years (bond only 7.90 years)
- Fixed rate portion on gross debt approximately 67.4%
- Around 37% of outstanding bonds (nominal amount) is denominated in USD, GBP and YEN and is fully hedged


Cost of debt:
~5.5%