Q&A session:

Operator: Ladies and gentlemen, the Q&A session is now open. I'd like to remind you that if you want to register for your questions, please press star followed by 1, to cancel the reservation, press star followed by 2. Thank you.

First question comes from **Mr. Georgios Ierodiaconou** from **Citi**, Mr Ierodiaconou, please.

Q - Georgios Ierodiaconou: *Hallo, and thank you for taking my questions. A couple of clarifications if I may. Firstly on the dividend for this year. You are yet to report (inaudible) so, I was wondering whether the 450 million charged will be distributed similarly as before between the two classes of shares. So, one question around free cash flow generation. If I understand correctly looking at your estimates, there is at least 1.25 billion deleveraging and then 450 million dividend that would be paid. So that implies a free cash flow generation of approximately 1,7 billion, so it will be significantly lower than the previous years, is it down to spectrum or are there any other one of cash outflows that you think may impact the number for 2013. And then finally regarding 3 billion of capital increase of hybrid that you mention. Could you please confirm that this does not refer to a capital increase of our mandatory convertible and it will probably be something like perpetual bond or other type of light hybrid. Thank you.*

A - (…): **Yes thanks for the question. Let me explain the three points. New dividend policy. As I was saying we have a dividend policy which implies the distribution of 450 million per year, which means that this year in April 2013 we will distribute 450 million dividend related to the 2012 results. So this will apply from the next distribution which means this April. In terms of numbers, the new dividend per share on the ordinary will be equal to 1.97 euro cent, which implies around 3% on current prices for the saving share, new dividend policy will be equal to 3.07 euro cent with a dividend yield of 5.4% on current prices. In terms of net debt in 2013, as I was saying, the objective is to reach a level of 27 billion. This number is affected by the dynamics of the working capital of some non recurring items of approximately 0.2 billion euro, related to the payments of 4G licenses in Brazil, and 90% of the cost license will account in 2012, but will be paid in 2013, and for 0.3 billion for the deferral of the payments on the 2012 domestic business to adapt the new procurement legislation solidarity. So, excluding this items, the dynamics of the operating free cash flow returns to normal levels in the region of 6 billion. In terms of the hybrid, no, the hybrid will not include mandatory or other instruments related to the shares; this will be just hybrid. The program will be up to 3 billion and, as I was saying, we will shortly begin the execution for the first tranche. We are discussing with rating agencies, the terms and conditions in order to have the confirmation of the 50% equity component of the hybrids.**

Q - Georgios Ierodiaconou: *And, if I can follow up on that. When you say a target of up to 3 billion is that for the size of the hybrid so the equity credit you will get from the rating agencies will be around 1,5 billion, or is it a 6 billion hybrid for 3 billion credit.*

A - (…): **No, exactly the up to 3 billion means an equity component of 1.5 billion.**

Q - Georgios Ierodiaconou: *Very clear. Thank you very much.*

Thank you Georgios, next question please.

Operator: Next question comes from Mr. **Giovanni Montalti** from **UBS**. Mr. Montalti please.

Q - Giovanni Montalti: *Good morning. Could you give us an update on the network spin off. There has been a lot of focus in your presentation on investments. So I was wondering if this changes your stance on the current negotiations that we have with Cassa Depositi e Prestiti, thank you.*

A - *(…)*: No this doesn't change. It remains an interesting option, open to us. We can say, quite correctly, that there are ongoing negotiations. We don't have a full visibility of the impact, as soon as we have better visibility, we will have a detailed conference call.

Q - Giovanni Montalti: *Thank you.*

Next question please.

Operator: Next question comes from Mr. **Mathieu Robillard** from **Exane BNP Paribas**. Mr. Robillard please.

Q - Mathieu Robillard: *Good afternoon. Thank you very much. I have two questions. First with regards to your free cash flow, relating to the previous question. So basically you are saying that there is 500 million euro that are a bit exceptional this year 2013 compared to previous years. That still leaves the gap, I guess, between what you've been generating, of around 3 billion in 2012, versus what you are suggesting with your guidance for 2013. So are there other elements, which is higher tax paid or higher financial charges that impact the free cash flow in 2013, and is that recurring? Second, I have a question about the debt rating. Are you confident that, if you successfully issue this hybrid product that you mentioned, you will be able to maintain your current debt rating. And finally a point of clarification in terms of the cascading. In the domestic cascading, Marco talked about 1.3 billion euro of savings, I just want to understand if that was net savings and if that included the reduction in interconnection, or should we add the reduction in interconnection on top of that. Thank you.*

A - (…): **Let me start with the free cash flow question. Probably I was not very clear in my previous answer. If you look at the operating free cash flow in 2012, compared with operating free cash flow in 2013 adjusted for the 500 billion non recurring items that I was referring to, we can see free cash flow in the region of 6 billion which is stable. So there is no material difference between the operating free cash flow in 2012 and the operating free cash flow projected in 2013 adjusted for these numbers. Then, of course, you need to deduct the net financial expenses and taxes and the number that we are projecting for 2013 is broadly in line with 2012. In terms of… The other question was on the rating agencies. We are discussing with the rating agencies in these days and, of course, we will present to the rating agencies in the next days the detailed plan, and we will have the results after the discussion.**

Marco speaking. The question about costs. No, it does not include interconnection costs, if you want the total figure you have to add almost half a billion coming from interconnection costs. Almost everything on 2013, and a slight portion on 2014, zero 2015.

Q - Mathieu Robillard: *And, in terms of the cost cutting. Besides interco you just highlighted what it should be for 2013, but the other efficiencies some of them are we going to see them in 2013?*

A - (…): **If you go back for a while, page 24 of the presentation, you have the split of the efficiency program between 2013-14 and 2015, with the previous plan. The previous plan was saying 0.2, 0.2 in 2013 and 2014, now we are planning 400 million in 2013, so 200 million more, and 100 million more in 2014, and another 600 million coming from 2015 that, of course, was out of the horizon in the previous plan.**

Q - Mathieu Robillard: *Right. Thank you very much.*

A - (…): **You are very welcome.**

Thank you Mathieu.

Next question please.

Operator: Next question comes from Mr. **Torsten Achtmann** from **JP Morgan**. Mr. Achtmann please.

Q - Mr. Torsten from JP Morgan: *Good morning first of all on your net debt target. In 2013, the 27 billion, does that already include the proceeds from the hybrid or would that be a reduction and you would get much closer to the 25 billion, and secondly on the domestic business, you have said that in Q4 the business environment turned very bad and that was the main driver of it. Any comments you can make on the progress so far in 2013, has that been improving or is that something that you have to … that you will progress throughout 2014, thank you.*

A - (…): **Yes. First I refer to the question on the hybrid, as you know the hybrid from an accounting standpoint is including the net financial position, so the hybrid that we will execute in 2013 is included in the 2013 objective of 27. Of course from a rating standpoint, we will have a portion which has an equity component, but in terms of accounting, the hybrid is in the net financial position and, of course, is correct to be including the 27.**

Marco speaking. Let me split in two parts the answer. First of all fix, but the consumer segment, no major changes in the climate, but a big change coming from April the 1st, because we, in the fix business, we have already announced to the market and to the customers and to the authorities that we will increase the monthly fee, almost 70 cents gross VAT, which will support our fixed revenues, and on top of this we have completely redesigned the tariff scheme for the fix that can slightly improve our total revenues starting from April the 1st on the consumer. Of course, in the mobile, you have to consider that the first half of the year is heavily impacted by the two-step cut in MTR, so reported figures will be quite heavy, but this will be for the whole Italian market, it's not company specific. On this, let me just use your question to underline something that I think is important. If you look at 2012 figures for TIM, you can see that the underlying trend has a negative spike in Q3, but the trend has a solid improvement in the underlying performance. It's not the same for all the players in the market, but it means that we have already performed the price repositioning and the cannibalization phenomena are really very modest, very small. On the enterprise segment, the macroeconomic situation is still quite tough, so we are forecasting for something very close to Q4, maybe slightly better just for comparison effect. Thank you.

Q - Mr. Achtmann: *Thank you.*

Next question please.

Operator: Next question comes from Miss. **Anna Oldinger** from **Nomura**, Miss. Oldinger please.

Q -: *Sorry this is* ***James Britton*** *from* ***Nomura****.*
I've got a couple of questions on the domestic mobile. Firstly can you say what percentage of your mobile base is on the MNP rates, today, as opposed to the legacy mobile rates. I just wanted to assess the repricing risk ahead in the next couple of years. And then secondly I pointed a detail on the Q4 performance. I see that the digital and roaming revenues actually achieved a short turnaround in Q4 and actually if you strip out the digital roaming the other mobile revenue lines deteriorated. Is this a one-off impact to digital roaming in Q4 can you just clarify please. Thanks.

A - (…): **Well, MNP, we have improved quite significantly in Q4. The net effect I still slightly negative, but we are much better positioned than Q3. The aggressiveness of some of our competitors is still there, of course, there are different kinds of phenomena, what we are looking at is how to prevent MNP in valuable customers, so that the most important part of ... so not only keeping the turn rate under control, but segmenting the turn rate between high value customers, standard customers and low value customers, what we experience is of course higher turn in low value customers and we are quite good in defending the upper part of the pyramid of our customer base. All in all, the balance is still negative, but we don't want to step in a fight in order to respond to every move just for rebalancing an MNP effect that is mainly on low value lines. Roaming, there are some contracts that are signed between operators, generally at the beginning of the year, and take effect sometimes retroactively, sometimes proactively. So, there is a normal trend, this happened in 2012, this happened in 2011, so, if you look the underlying trend of roamers is not changing very much, what is changing quite significantly is the year-on-year comparison that showed a macro-effect but it is more a comparison effect, if you see the quarter-on-quarter progression, there are no spikes in 2012 figures, thank you.**

Next question please.

Operator: Next question comes from Mr. **Jean Perrin** from **Credit Agricole**. Mr. Perrin, please.

Q - Mr. Jean Perrin: *Yes. Good afternoon, thank you. I've got one quick question. This is regarding the rationale behind issuing a 3 billion hybrid bond, (inaudible) tranche, if I understand, you have a target in net debt it would be of 2.0 time. I just wonder why in that perspective you would need an hybrid bond, if you could explain that, thank you.*

A - (…): **Well I think that, as was clear from the entire presentation, I think that we want to strengthen our infrastructure, both in Italy and in Brazil and Argentina, but, at the same time, we want to keep our deleveraging path, so I think that what we really want to have through this hybrid is something that does not impact on our capital structure and does not affect our shareholders, I mean, you have seen other companies that have chosen different paths, we think that our shareholders have to be**

protected, this is an instrument that is an innovation that we can use effectively to protect our shareholders and, at the same time, achieving the deleveraging plan that we are aiming for. So, I think that in a sense it's the best of both worlds, we keep growing on investments, we strongly push on investments and you have seen it in Italy, you have seen it in Brazil, you have seen it in Argentina, but we don't defocus our company from the deleveraging target.

Q - Mr. Jean Perrin: *Thank you.*

Operator: Next question comes from Mr. **Luigi Minerva** from **HSBC**, Mr. Minerva, please.

Q – Mr. Minerva: *Yes good morning. My first question in on your push for convergence. It was mentioned in Marco Patuano's slide. I was wondering if it is more demand driven or if it is rather justified through an OPEX or CAPEX rationale. And additionally if you believe that the Regulator is going to be more permissive in allowing you to offer more (inaudible) products, I mean a few years back they blocked it. The second question is more a big picture one and is on the fragmentation of the European telecom industry. We have read quite a bit of comments by the European Commission over the last month and I was wondering if you can comment on whether you sense that there will be the conditions for a more aggressive approach from Brussels to reduce the level of fragmentation in the sector, in Europe, thank you.*

A - (…): **Let me answer on this question then I'll turn it to Marco to answer the first question. What I've seen in the last two years is a progressive improvement in the attitude of the European Commission. I think that the European Commission is staring to recognize that we have a problem in Europe and this problem can be cured only through a consolidation of the market and better operating performances. We have had the Commissioner Kroes giving a much better regulatory environment for copper pricing for fiber pricing, and moreover, she has clearly indicated that she will keep these favorable conditions steady for the next several years, up to 2020 in order to promote investments. At the same time, we have had Commissioner Vice-President Almunia saying that we, of course, there is an opportunity for a more integrated European market, a unique, a single European market for telecommunications, of course there are no indications and no guidelines on the side of the European Commission on that front, but certainly what I know is that there is a much more favorable approach on both sides, on the competition Commissioner side and on the Digital Agenda Commissioner side, so I am pretty positive that the telecommunication environment will change for the better, in a period which is hard to define, however, because, of course, these political decisions take always a lot of time, but I see a strong improvement going forward, thank you.**

Marco speaking. Well the convergence is partially driven by the demand and partially driven by the technology and let me say that today, customers are using convergent applications. Is Facebook fixed or mobile? It depends, you use it fixed or mobile depending on where you are, but I think that you have, we have to stop thinking convergence as a fixed, mobile convergence, it is a fixed, mobile and cloud convergence. So I think that we are in a very unique position, to offer a broad portfolio of convergence services. The Regulators, I think that the Regulators always are.. Italian Regulator is a good one in technological understanding, of what are the effects of the technological change, so I think that it's anachronistic today to consider convergence just as a commercial matter, it is not a commercial matter it is a change of our business model. So I think that this is something that all Regulators will understand and will rule. Thank you.

We apologize with everybody queuing, we understand that a few of you are there, and we have unfortunately room only for one last question and we will be happy to address that from our IR department. So please the last question.

Operator: Last question comes from Mr. **Tim Boddy** from **Goldman Sachs**. Mr. Boddy, please.

Q - Tim Boddy: *Yes thanks. I just wanted to follow up on a few of the points that have been asked. First of all just to clarify, there is a question about net OPEX savings, and I think that on your slide you indicated that it was 600 million euro, because the 1.3 billion savings across the period are offset by some volume growth, upward pressures on costs, I want to understand if I have correctly captured that and also understand why the saving have so back-end loaded in 2015. Secondly in terms of the question around the network spin out, Swiss Com CEO said yesterday in their annual meeting that he couldn't conceive how to do such a thing given the operational complexities involved and seemed very cautious on that happening. Have you just be hopeful to get a feeling as to whether you are more or less confident, having had, I'm sure, a lot of discussions in the recent months, on the possibilities of spinning it out and indeed whether you think it could* *happen this year or if it is more a sort of 18-month-plus opportunity given the complexities involved. Thank you.*

A - (…): **I'll answer immediately to the second question on the complexities and then I'll leave it to Marco to answer to the first. There is one specific reason why we think the complexities can be handled and this reason is in the fact that we started almost five years ago now, with the organization of open access, which has been a very innovative organizational structure that allows us to think at a project which is more ambitious in positive terms, so we have already a 5-year experience that is encouraging in terms of the possibility of reaching that goal, other companies of course are in a different organizational position. Thank you.**

On the first part of the question you are right, it's a different kind of efficiency the one that we are pursuing, we are now changing really the processes, and changing the processes means really working hard on all the different aspects, on how to do, how you manage, and how you plan your operations, so this is part of the answer. Another part of the answer comes from the fact that some contracts have to reach their natural expiring date. So, we have also to be careful that some savings have a timeframe that is almost dictated by the contracts in place, so this is slightly back-loaded because we are the 200 million year one, so it is slightly back-loaded, but I think that there is an incredible amount of effort, if you consider that we are already one of the most efficient operators in Europe and we have the highest free cash flow generation among the European players. So, being more efficient is always possible, but a little bit tougher, thank you.

Q - Tim Boddy: *Thank you very much for clarifying.*

Thank you to everybody for your time, your questions and your attention in our Company, and have a good afternoon.

Operator: Ladies and gentlemen, the conference call is over. Thank you for calling.