Telecom Italia

Full-Year 2012 Preliminary Results &

2013-15 Plan Update

Speech of Mr. Franco Bernabè and

Mr. Piergiorgio Peluso

Milan – February 8, 2013

Tim Brazil

FY2012 Recap & 2013-15 Plan Outline

Group CEO Franco Bernabè

Milan – February 8, 2013

(from Franco Bertone)

(AB) Mr. Bernabè will now briefly update you on our Brazilian operations, and conclude his presentation with the new Group Targets.

Thanks Alex.

Before discussing the 2013-2015 plan, I would like to highlight the main achievements in 2012 results.

Slide 3 – 2012: Business Resilience Against a Strong Headwind

While going against considerable headwinds in 2012, TIM Brasil has shown outstanding resilience, teamwork skills, reaction power, and a great commercial strength. The Company has fortified itself and is now more committed to quality improvement for its 70 million customers.

From the operational view point, we managed to deliver solid progress. The customer base grew above market average, and we achieved a new record Minutes-of-Use figure, while recording a significant increase in data users.

We maintained our leadership in customer base growth for the 10th consecutive quarter, ranking #1 in the pre-paid segment and winning the second position for the post-paid.

We managed to keep our top-line growth rate in line with that of the last quarter, and to further accelerate EBITDA growth, yielding an EBITDA margin expansion in the last quarter of 2012. Finally, our net income showed constant improvement over the past quarters, delivering 1.5 billion of reais in 2012, a 17% growth year-over-year.

You have had a lot of details already on Wednesday’s Tim Brazil call, and so let me move on now to Tim’s Plan Outline.

Slide 5 – Leveraging on Pure Mobile Approach

I believe Brazil still offers a very good opportunity for the pure mobile business, with fixed-to-mobile substitution still catalyzing and accelerating the process. According to a recent report from the Federal Statistic Institute, over 55% of households in Brazil only use mobile phones. If we add a 50% price premium of fixed versus mobile fees, it is quite intuitive that the fixed-to-mobile substitution trend will continue to accelerate.

Having a very limited presence in the fixed business and no legacy to defend, TIM enjoys a unique market position and we will continue to leverage on.

In Brazil, the strongest source of growth in the telecommunication business mainly comes from data. Once again, let me underline TIM's price discount position and its outstanding broadband speed. This gives us quite a competitive advantage. Out of the 68 million households in Brazil, roughly forty-percent have Internet services at home, and a large portion of them - approximately two thirds - has connectivity up to just to 2Mbps.

Web-phones and low-tier smartphones sales are sky-rocketing in Brazil. Currently, 41% of our customers already have web enabled phones, and more than 21 million customers use data on a monthly basis. Mobile data services are more price efficient when compared to fixed broadband, with a much lower entry barrier, a feature that fits well with the emerging middle classes.

Let's move to the next slide

Slide 6 – Business Drivers of growth

In this last slide we highlight how our vision for business growth in the coming years remains intact. The expected waves of growth will continue to be our main guideline, keeping the community size as our main value and, of course, leveraging further on fixed-to-mobile substitution of voice services, which should lead Minutes of Use to grow more than 200 minutes per user by 2015 – versus an average of 136 in 2012.

Data services are expected to maintain double-digit growth as web enabled phones and data users keep increasing at a remarkable rate. In Brazil, data is going mobile, and mobile broadband is now 3x larger than fixed broadband. In summary, both Infinity and Liberty platforms for voice and data will support top line high- single digit growth for the next three years.

Wrapping-up on Brazil, TIM fiber is expected to deliver positive results this year. After the start-up phase and the prioritization towards mobile infrastructure, we are now ready to accelerate that business further and gain relevant value from fixed broadband.

Slide 7 – TIM Fiber: 2013-15 Plan

Let me now say a few words on the new broadband business launched in 2012. TIM Fiber managed to launch a fully operational fixed broadband in just a few months.

In this period, TIM, by investing as little as an amount equivalent to 30 million Euro, managed to pass more than 500 thousand households. Due to an innovative network architecture, Tim Fiber offers Ultra broadband Internet with speeds of up to 50Mbps with an investment per subscriber equivalent to about 300 Euro per connected home.

On the back of this, we reached our first milestone of 10 thousand subscribers in only 4 months from the commercial launch.

Moving forward, TIM will keep investing in residential broadband with a very selective approach. The idea is to optimize the investment by ‘cherry picking’ areas with high demand and limited investment required. We actually aim to develop a coverage of more than 2 million households, maintaining high occupancy of our infrastructure and low Capex per subscriber, therefore maximizing our return on assets and, at the same time, without taking away resources from our core business, the mobile.

Next slide, please

Slide 8 – Network and Quality approach

It is worth noting that our focus is, and will continue to be, increasing our network capacity with a priority on quality improvement. With this in mind, we have increased our Capex guideline to 10.7 Billion Reais for 2013-2015, versus 9.5 Billion Reais in the previous plan. The increment is justified by additional efforts in terms of 2G and 3G network quality, enhancing 3G coverage, and deploying 4G networks.

As for the 2G and 3G networks, we are focusing more on quality than on expanding coverage. This way, we are confident to reach not only Anatel's quality KPIs, but also to exceed them.

Equally important, total Capex also includes the development of our network, that reached more than 53 thousand km of fiber network by 2014, delivering our FTTS project to the top 44 Brazilian cities and connecting more than 33 thousand sites with fiber.

Slide 9 – 2013-15 TIM Brazil Guidance

Before moving to our Group Targets, on this slide you can find Tim Brazil’s Main Targets for the new Plan.

Expressed in local currency, Revenues and Organic EBITDA are expected to grow at a High-Single Digit Compound Annual Rate for the overall Plan. We have mentioned CAPEX already.

Now let me wrap-up with Group Guidance.

SECTION I:

The Close of 2012

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Good morning Ladies and Gentlemen, and thank you for attending Telecom Italia Conference Call, in which we will summarize Preliminary Full-Year 2012 Results and give you an Outline of the new 2013 – 2015 Plan for our Group.

Marco Patuano, Piergiorgio Peluso and Franco Bertone are here with me, and together we will take you through our Group main achievements and future objectives in our three core markets.

2012 has been a year of challenges and change, while the following factors played out:

- In Italy, a deeper and still on-going recession;

- In Europe, positive new Regulatory developments at the Commission level;
- In Brazil we had to deal with a number of important challenges.

We kept our path steady, delivering very sound results, in line with our Targets.

Despite the huge improvements in the financial profile of our Country, domestic macroeconomic trends progressively worsened last Year, with a 2.1 per cent drop in GDP, compensated partially by Brazil and Argentina which posted an annual GDP growth of around 2.5 and 1.8 per cent, respectively.

In this framework, our **Domestic Operations** have performed in line with our targets, even if we had to face a sharp decline in overall internal demand and consumer confidence.

In this context, on the back of a proven willingness to pay from our customers for fast mobile and fixed internet services, we increased innovative capex. As Marco will further detail to you, we shall continue to invest in this direction in the future.

In Latin America, Tim Participaçoes continued delivering a sound performance as the strong second player of the 4th largest Mobile Market in the world. From being a Voice challenger we have increasingly become Mobile internet providers, given the superior data speed proposition of our 3G Network. Also in Brazil, as some of you have heard during their recent Call, 2012 Results were in line with Targets, with further resources also in this case devoted to Network Capex. This has been a particularly important achievement, as TIM Participaçoes has proactively and successfully dealt with a very intense regulatory scrutiny, delivering on Anatel's action plan. After securing, through a complex transition phase, these important results, Andrea Mangoni has left his position as CEO of the Company, and has been replaced by Rodrigo Abreu. I wish to thank Andrea for his important contribution to the Group and give my welcome to Rodrigo, who has an important background as CEO of Cisco do Brasil.

In **Argentina**, despite the slowing economy, strong momentum in mobile and fixed broadband enabled us to reach our guidance for 2012 and to successfully deal with a temporary scarcity of spectrum, as Franco will detail in a short while.

Let's now review together slide number 3, which summarizes our key accomplishments for 2012.

Slide 3 - TI Group Full Year 2012 in Line with Group Targets

Group Revenues grew to 29.5 Euro Billion, up 0.5 per cent Year-on-Year in Organic terms, meanwhile **Group Organic EBITDA** was down 2 per cent Year-on-Year at 11.9 Euro Billion.

These results were supported by our **Domestic Operations,** in combination with a sound growth in **Latin America** both in Revenues and EBITDA**.** Our Group EBITDA margin has remained stable at above 40 per cent.

Our Operating Free Cash Flow, in terms of EBITDA less Capex, stood at 6.8 Euro Billion, confirming our leading performance in Cash Generation compared to our peers.

Moving to Debt Reduction, at the end of 2012, our Net Financial Position was 28.27 Euro Billion, which represents a very substantial reduction of 2.1 Euro Billion from last year's closing figure. As you can see highlighted in the Capex box, our Year-End Net Debt was impacted by having made, both in Latin America and in Italy, more investments, particularly in the Network, which represent a key priority for all our Countries.

Slide 4 - TI Group 2012 Revenues and EBITDA by Quarters

On Slide 4, we detail our Revenue and EBITDA performance quarter by quarter. The drop in revenues in our domestic operations was more than compensated by growth in Latam.

EBITDA decreased by 2 percentage points Year-on-Year but, in the last quarter, we increased our EBITDA margin by 0.3 basis points, keeping our Group Profitability above 40 percent throughout 2012. These results confirm our cost control strategy across all our Business Units, with a positive EBITDA margin trend in the last period of the year.

Let's go to slide 5

Slide 5 - Combining High Profitability with Growth

Let me now briefly comment on the Key Group Results by Business Unit.

The weight of our Latin American Operations accounts for 38 per cent of Group Top line on a Full-Year basis and 27 per cent of Consolidated EBITDA.

Total Domestic Revenues dropped by 5.8 per cent Year-on-Year, and **Organic EBITDA** decreased by 4.9 per cent, Brazil and Argentina, in spite of the economic downturn which impacted our numbers, still remain growth markets. Through our consistent flow of investments into these areas, we further strengthened our foothold and laid the foundation for our future growth.

Please now move to slide 6.

Slide 6 - Net financial Debt Evolution

Given the very severe economic scenario, our deleveraging strategy proved, once again, to be the right policy to preserve value as well as reduce financial pressure.

This year our debt reduction effort allowed us to reduce our Debt by 2.14 Euro Billion, landing at 28.3 Euro Billion.

This result was obtained while increasing capex Year-on-Year by 281 Euro Million. Our commitment to devote important and growing resources to next-generation network investments will strengthen us considerably in our new Plan Scenario, and will increasingly place us ahead of competition. It is becoming even more a game of financial capacity and technological leadership, introducing a relevant crowding-out effect that will not be recoverable by many of the European players. My view is that not all the operators will survive this challenging evolution phase, which TI has all the right features to face and emerge from as a winner.

SECTION II:

The Plan

<u>Slide 8 - Key Economic and Industry Trends - Italy</u>

Let us now move to the Plan Scenario. In 2012, Italy's macroeconomic results were poor. More of this is expected throughout 2013, except for a slight upswing in the 4th quarter of the year.

Based on the trend reported in the slide, consumer spending is not expected to turn positive this year.

Especially in relation to other sectors, the telecom industry is expected to perform in a rather resilient way, but it will be nevertheless impacted – as seen in the lower right part of the slide – by further erosion in Traditional Business, and it will need to resort to innovation at the fullest degree in order to at least partially compensate these adverse effects.

Let's move to slide 9

Slide 9 – Key Economic and Industry Trends - LatAm

Moving now to our two other Countries, both the economies of Brazil and Argentina are showing moderately upwards trends, and both areas are again expected to grow, although dynamics are different:

- Brazil has the highest potential of growth for BroadBand penetration, while
- Argentina shows a higher Fixed- Plus- Mobile Internet penetration. Indeed, in the next three years, the share of data in Brazil is expected to increase by 11 percent, within an evolving market.

The 5 percentage points increase in Argentina is mainly due to a higher Internet penetration, above the Latin America average.

Let’s move to slide number 10.

Slide 10 2013–15 Pervasive Innovation in all Countries & Services

This slide speaks for itself, but let me just pick a few highlights which I feel are particularly interesting and worth mentioning.

Since technology is paramount in our industry, we need to be focused on and further develop our networks. In Italy, we must leverage on our unique infrastructure to optimize our convergent approach. We also need to protect our retail market share, preserve customer base quality, increase cross-selling and convergence, expand our loyalty programs, defend best-in-class churn rate, while simplifying tariffs as well as our commercial approach.

In Brazil, we are expanding our customer base via Fixed-to-Mobile substitution and will lead the Internet Wave.

While 4G rollout begins, focus is also on continued 2G and 3G Expansion. Intelig, Tim Fiber and Tim Celular Networks are being integrated into one single entity and Anatel's Network and Quality Plan are on-track.

Finally, in Argentina, we are working to optimize our leading position in the Mobile business, while we shall make our best efforts to make our Fixed business stronger. In recent years, Telecom Argentina has delivered significant growth and balance sheet improvement. Its financial position now offers the resources to expand its Network Capacity, allowing further upside in Fixed and Mobile Data.

The take of this slide is that we need to apply an innovative approach also on Traditional Business, where we need to resort to new ways to protect its value.

We’ll see on the next slides a few indications on how we’ll push ahead full speed on Technology.

Slide number 11, please.

Slide 11 2013–15 Domestic UBB Plan: Reshape the value of access

In Italy, our Fixed network is an extraordinary opportunity for value creation. Our copper infrastructure is valuable and – as I am speaking to you – in this very moment there are our technicians and engineers deploying Fiber in main Italian cities.

Our FTTCab network - benefited by recent technological upgrades – will allow for speeds above 100 Mbps.

In three years, approximately 35 per cent of the country’s households will be connectable at a speed of over 30 Mbps.

In the Mobile business, after the launch of the 4G service, I am sure we will we be witnessing a further ‘natural selection’ among operators: only three out of four have acquired an 800 MHz spectrum, and only two are deploying an LTE network.

The LTE user experience is definitely better and clearly shows that there is an opportunity for us to go beyond a simple price competition concept, while aiming at a premium position.

Step-two of this Plan is shown on the upper side of this slide, that is indicating a development path in new services that bring us closer to the client, and for which we can obtain a premium price from our Over-the-Network propositions, which contain important service and security features.

Therefore, the development of a performing LTE and NGAN network will lead us to the consolidation of an actual competitive edge and will create important long-term value.

We now go to slide 12

<u>Slide 12 Mobile 2G/3G/4G in Brasil</u>

As I will return to Brazil shortly, let me just comment briefly here.

Having a pure mobile approach in Brazil is a great asset, that puts us in a better position to capture expected market growth.

Fixed-to-Mobile substitution is still underway and Data business will be, once again, a source of growth. Through a number of incentives, low entry-level handset prices allowed low income households to better connect to mobile services, thus doubling mobile data access in just two years.

To guarantee quality metrics and satisfy increasing demand, we are making more important infrastructural investments, mainly on voice, data capacity and coverage.

We believe that BroadBand mobile development will happen through 3G/4G networks. More comments and outlooks will be detailed later.

Slide 13, please

Slide 13: Argentina: Retain Leadership

Our strong competitive position in Argentina, makes us confident we can further consolidate and develop our mobile revenues leadership.

Market trends for 2012-2015 show that Internet access will mainly be possible through Small Screens, and that it will grow in a relevant way. Our commitment is therefore to leverage on our market share position to fully exploit our potential in the mobile arena.

In order to make the most of this combination and upscale our network to be prepared to be fully operational and exploit the outcome of our efforts, we need to carefully continue rebalancing our Capex allocation as shown on the right hand-side of this slide. Franco will later elaborate on this.

Please see slide 14

Slide 14: Increase Fixed and Mobile UBB Investments

Back to investments, you will see from our 3-year guidance that cumulative Group Capex will amount to approximately 16 Billion Euro. In this slide you can find evidence of the priority we are giving to new technology investments on the Plan scenario in our three major areas of presence.

Our careful cost management approach is also paramount. We will seek efficiencies, as usual, also on the Capex front. Domestically, we expect to achieve approximately 200 Million Euro in Capex efficiencies.

These benefits are commonly achieved in our three core markets.

I will now hand it over to Piergiorgio who will expand on 2012 financials and 2013 -2015 path of deleveraging.

Mr. PELUSO

Thank you Franco and good morning to you all.

Can you please move to slide 16.

Slide 16: Telecom Italia Today: a Strong Cash Generator

As a starting point of my conversation, let me highlight at the bottom of this slide, Operating Free Cash Flow at YE12 stood at 6.466 billion Euro, down 524 million Euro Year-on-Year, mostly because of macroeconomic deterioration and depreciation of Pesos.

You can also see that in 2012, Working Capital absorption was lower than the comparable figure for 2011, mainly due to improved collectability and lower sales in Italy; in Brazil, instead, having won the 4G License, we only paid 10% of the total cost in 2012, so the remaining 90% will have to be paid within June 2013.

Capex reached approximately 5.2 Billion Euro, with 324 Million Euro increase Year-on-Year. This is the result of additional investments in innovative technologies in Italy and Brazil, and confirms our continued commitment in mobile and fixed technologies.

As you can see in the right hand-side of the slide, net cash flow increased and, even excluding M&A activities, cash generation stood at 2 Billion Euro.

Let’s move now to our Debt position.

Slide 17: Current Debt Profile

As you can see in slide 17, debt maturities are evenly spread over the years. Their smooth profile - combined with the important liquidity we carry - remains a protection for the Group, and today our liquidity covers redemptions up to 2015.

Half of our largely unfunded 8 Billion Euro flagship bank facility maturing August 2014 was rolled-over to May 2017 and we are currently lengthening the maturity of another portion of it.

Slide 18: Broaden Efficiency Plan

After our discussion about 2012 data, I am now going to concentrate on the details of our efficiency plan as earlier suggested by Franco.

In this slide, we summarize the areas of action for our efficiency plans we are implementing in our three core businesses.

We have an outstanding efficiency track record in Italy, as Marco will tell you about briefly, and we are implementing this approach also in our Latin American organizations that can thus benefit from our past experience.

In Italy, through our targeted actions in Customer Care, the creation of a single Business division and the streamlining of

Real Estate, Energy and Industrial, we will avail ourselves of a better platform to achieve Revenues and EBITDA stabilization.

Moving to Brazil, our efforts will focus on Network savings, where we will reorganize our quality standards and create a single network for all businesses. I think Franco will give you more details during TIM Participaçoes' presentation.

Last but not least, in Argentina in spite of the 3G spectrum cancellation, focus has been placed on a different resource allocation pattern and, through the enhancement of our maintenance policies, we will be in a position to overcome the current situation.

Care for innovation, full exploitation of our capabilities coupled with a strong focus on top line standards and efficiencies will allow us to confirm our strong cash generation in our Plan period.

Slide 19: Continue Deleveraging the Company

Let me now move to explain some important decisions on our dividend policy. In the light of the continued challenging macroeconomic conditions in Italy, and of the strategic importance for the Company’s growth of planned network investments in both Italy and Brazil, we have decided to revise, in the interest of all stakeholders, our previous dividend policy. The Board intends to propose to the shareholders, for the period covered by the business plan (2013-2015), the distribution of an annual cash dividend of approximately 450 Million Euro. Such dividend policy is consistent with our commitment to debt reduction.

In order to strengthen the company’s capital structure, the Board has also approved hybrid capital issuance of up to 3 Billion Euro within a 18-24 months period, whose execution will start as early as possible.

At the same time, deleverage will continue to remain a key priority for our Group. In 2013 we will reduce Group net debt below 27 billion euro. Target remains to go below 2x Net Debt/EBITDA within the Plan. After reaching this target, our dividend remuneration policy can go back to growth.

With this my presentation is over and I am now glad to leave the floor to Marco.

GUIDANCE

Telecom Italia Group - Plan Guidance

Let me wrap up now on our three years New Plan Guidance.

For 2013, the Group expects a stable Revenue performance, and an slightly declining EBITDA , at a low single-digit pace.

We also expect in 2013 a Group net financial position inside 27 billion euro.

Looking to the medium term, we expect a 2012-2015 Group Revenue and EBITDA CAGR growing low-single digit.

Furthermore, for 2015 we expect our Net Debt/EBITDA ratio to go below 2 times, while cumulative organic 2013-15 CAPEX are expected around 16 billion.

At this point I want to thank you for your attention, and I'll turn the floor back to Alex.

Telecom Italia

FY2012 Preliminary Results& 2013-15 Plan Outline

Speech of Marco Patuano

Milan – February 8, 2013

Thank you Alex, and good morning to all of you.

Let me start my presentation with a statement: 2012 Domestic Targets have been delivered.

This result is particularly important, considering the very difficult state of the economy in Italy, and the different implications it had on our main Consumer and Business Segments, as I will detail to you shortly.

GDP has not recovered and regulation continued to take its toll and competition kept its price aggressiveness all year long.

In this context we were able, thanks to our leading business profile and our overall financial discipline, to generate an outstanding amount of cash.

Let me now summarize 2012's achievements:

Slide 3 – Domestic Results: 2012 Figures

As you can see from the upper part of Slide 3, Domestic Top Line posted a -5.8% YoY result, which together with our Organic Ebitda -4.9% YoY performance complies with our "Mid-single digit" target.

Taking a closer look to our Service Revenues, we can separate their -5.5% YoY result into 2 components:

- -3.3 percentage points are explained by operating performance, and
- another -2.0 percentage points come from the consequence of regulatory actions such as:
  - the MTR sharp reduction in line with the glide path,
  - the EU price cap on mobile data whose magnitude was not included into the original Budget, and
  - the Wholesale Line Rental surprise reduction from E11.9 to 11.7 euro per month.

<u>Slide 4 – Domestic Operating Free Cash Flow Evolution</u>

But let us take a moment to comment our foremost achievement: 5.6 billion euro of operating free cash flow. Even if we have consider the LTE Auction impact on debt for more than 1.2 billion euro in 2011, this is still an outstanding result, which proves we are doing the right thing, leveraging on our solid business profile and our cost rightsizing capacity.

Let me point out some highlights:

In box 1 we split the 639-million-Euro cost reduction into lower interconnection and from operating efficiencies where we over performed the original target.

In box 2 we see how the 163 million euro of higher investments in UBB were partially compensated by 53 million euro of investment efficiencies.

Moving to box 3, the delta working capital improves mainly due to the reduction of receivables, driven by both the revenues reduction and the days improvement; we expect to reverse the negative impact of VAT in 1Q13.

<u>Slide 5 – Service Revenues Trend by Segment: Consumer & Business</u>

I just mentioned the different effect the economic crisis had on the Consumer Segment versus the Business one. Let's start with

Consumer, where - as we can see from the left upper box – in the last Quarter we registered a better Year-on-Year performance in Service Revenues, even if the economic front remained disappointing.

We have seen a different story on the Business front, where a constantly worsening progression was accelerated in the last quarter of 2012 by an unprecedented year-end slowdown of product sales particularly on Fixed side of the Large Corporate cluster. The "Spending Review" effect did not apply only on Public Administration; crisis was biting also Corporates, where the former years' budget spend acceleration in December was reduced to a trifle.

Slide 6 - Domestic Mobile Overview

Moving now to Mobile, as we can see, MTRs took a Year-on-Year toll on Revenues worth 250 million euro. As we move down to Business Generated we registered a trend improvement in 4Q which allowed us to close at full year difference of -5.6% points. This performance is even stronger in the Consumer, where - as we can see in the lower right frame – 2012 results where 1.9pp better than 2011's.

On Service Revenues, we can see how net of Roaming Cap on data and of Mobile Termination Rates 2012, closed Y-o-Y at -4.1% visibly better than -6.5% result of last year.

Slide 7 – Domestic Mobile: Customer Base Trend

Time to look now at mobile domestic KPIs, where we stabilized our Customer Base, while aggressive competitive behavior is clearly indicated by TIM retaining its best-in-class position even in a market with higher churn rate..

I do not want to miss this opportunity to underline, once again, how moving low ARPU clients around the market just burns value for all operators.

Slide 8 – Domestic Fixed Business

On Slide 8 we highlight a few fixed domestic KPIs. Let me start by pointing out how OLOs scored significantly lower net adds in 2012 versus 2011, acquiring in the last year 174-thousand lines less, compared to TI's improved performance in line losses.

On Fixed Revenues, TI posted -5.1% Year-on-Year, with a performance on its Core portion of -4.3% if we exclude international wholesale activities. This result was determined , as already noted, by two different trends: on one side Consumer segment slightly enhanced, while on the other side, we had an additional deterioration on Business.

Slide 9 – Domestic Fixed BB Business

On Broadband the picture is a different one. We succeeded in substantially preserving our 52% market share, while 90% of our CB is now on flat tariffs. This approach drives the +3.8% ARPU growth , while full year Broadband Service Revenues were up by 1.2% .

On Consumer customer base mix, we recorded a reduction in BB "Free" profile clients, while in the "Flat" segment the most relevant move came from the doubling doubled our “Gold” premium clients. This is one more piece of evidence that, even if it remains difficult to increase the total broadband penetration, people is ready to pay for Ultra BroadBand Services.

Slide 10 – Focus on Domestic Consumer Segment

Focusing now on the Consumer Segment. In the Mobile, we stay focused on our strategy aimed to preserve our value:

- Gross Adds ARPU were up +5% Year-on-Year,
- Number of users adopting bundle options up 6pp versus last year ,and
- the SAC/ARPU ratio was down 4% Year-on-Year for the new acquisitions and offers.

Browsing performance recorded a double digit growth rate Year-on-Year, due to wider penetration of smartphones, with a 43% growth in small screens.

Moving to the fixed services, let me point out the structural difference between BB revenue performance of OLOs and TI. Our strategy is to grow in value. TI has proven to be able to retain and upsell the higher spending customers consistently.

<u>Slide 11 – Focus on Domestic Business Segment</u>

Let's now move to the recent restructured Business Segment, where we integrated Top Clients, Public Administration and SMEs.

Clearly this move tents to pursue higher efficiency, to get commercial synergies in our offer portfolio and to sustain a creation of ICT "Ecosystems".

Even in this tough environment, we can spot some encouraging areas on which we have to further build on.

- Browsing performance of the Top Segment posted a solid growth both in the reported and the normalized figures.
- In the SME segment, the percentage of customers opting for flat offers has grown steadily over the year.

In the last quarter, however, as already mentioned, we experienced a drop in fixed revenues, due to the cost cutting policy applied by both Large Corporates and by the Public Administration, with particular regard to equipment purchase.

Our forecasts are that in 2013 we will score better in this area.

And now, let’s move to our strategic framework for 2013-2015.

It is important to stress that the new Plan partially breaks away with the past, aiming at reinforcing our investment policy by changing our approach to innovation. To strengthen our business profile we are pushing ahead full speed on the development of our Ultra Broadband Networks, both in the fixed and mobile businesses.

At the same time, we shall continue with our rolling Efficiency process including some elements of novelty, that I am going to expand-on later.

At the end of the day, the combination of the new investment strategy and global cash-cost efficiency are meant to preserve the solidity of our Cash Flow Generation.

Slide 13: Italian Economic Outlook: Growth Forecasts Postponed

Our new Plan takes into account a macroeconomic scenario worse than what was expected in 2012. In Italy, for 2013, we foresee a tough economic environment with the expected recovery of GDP procrastinated of one year. The old Plan was based on assumptions that had to be reviewed: in 2013, GDP is still going to be lagging behind and score -0.6% against the old estimate of +0.2%.

Consumer Spending has also recorded a worse trend than expected. After the steep drop occurred in 2012, it is going to remain negative at -1.5% throughout 2013.

Slide 14: Italian TLC Market Evolution

In Italy, the Compound Average Growth Rate of the TLC Services Market is expected to stand at -2.0% between 2012 and 2015. In 2013, the Italian Market is expected to experience a 3 to 4 percent contraction.

It is important to highlight that at the end of our Plan horizon, in the mobile segment, innovative services are going to grow more than what the traditional ones are going to decrease, whereas in the fixed business, if the revenues from traditional services are not going to be offset by the innovative ones, the market will experience a rebound due to the contribution of new services on fiber networks.

Slide 15: TI Domestic: Business Layers & Actions

On slide 15 we introduce the main key Domestic priorities both on the Revenue generation front and on Costs, fitting them into one coherent masterplan what will drive my Team's work on Consumer, Business and Wholesale.

Starting from Consumer, main themes are customer base defense , and a strong commitment to continue leading on Innovation, which will allow us to deliver all advantages coming from the deployment of our new Fiber and LTE Networks, thus enabling us to compensate for the erosion of the revenues coming from traditional services.

Talking about the Business Segment, the priority for traditional services, in both the mobile and the fixed, is to preserve customer base by reducing churn level for the SME and keeping our market share in the

Large Segments; in innovative services Telecom Italia will keep on pushing on Cloud and ICT services.

New drivers of the cash cost efficiencies come from:

- Customer Care Operations;
- Real Estate, Energy and Industrial,
- Business Segment Restructuring and
- As for Capex efficiency, the creation of a NewCo for IT services.

Slide 17 - TI Domestic: Consumer Segment (1/2)

Focusing on the Mobile Consumer Segment, in slide 17, the major challenges for traditional services come from competition and regulation.

The first relevant variable is the customer base dynamics. We will to lock-it-in by increasing the penetration of bundles and offerings, preserving us from an expected price fluctuations.

Innovative mobile services are going to be boosted by the increasing penetration of devices enabling mobile internet services and by the spread of new VAS based on MBB.

Regulatory effects will hit 2013 reported figures but we still are, differently from our competitors in the favorable condition for a complete offset of the negative impact on profitability.

The combined effect of these dynamics will allow us to come back to growth in a Business Model where internet related services have a significantly higher incidence on service revenues.

Next slide please

Slide 18 – TI Domestic: Consumer Segment (2/2)

As in the mobile business, we need to protect the value of our fixed customer base by retaining our high value clients and increasing the penetration of flat offers .

The excellence of our processes and the increasing “quality of service” through our technological leadership will be a key factor.

In the area of innovation, we will increase BBservice revenues through the adoption of fiber based ultra Broadband and the development of VAS content that use internet platforms, such as music, gaming, storage and video, where we are already experiencing good early evidences of success.

Also in the fixed business, in 2015 we envisage innovative services to offset the progressive lower decrease in revenues from voice and access.

Slide 20 – TI Domestic - Business Segment - Large (1/2)

Let us move now to our Business Segment

whose segments will benefit from the new organization but will keep some peculiarities that suggest to still present our strategy split in the usual two main areas. Starting from the Large Customers, we are working to maintain the current low churn supporting this action though a careful profiling, and – more specifically on mobile - we are focused to further increase both the total lines per client, and the penetration of mobile broadband leveraging on device management.

A key area of contribution will be our Cloud services, replicating the very strong 2012 performance. Ground of growth comes also from

Machine-to-Machine Services, where TIM holds a 30% market share, and has the potential for a double-digit growth during the Plan

<u>Slide 21 – TI Domestic Business Segment - SME (2/2)</u>

SME has been the area most affected by Macro, and where we have many actions to take in order to contrast the negative trend. Let me point out a few:

- **Customer Base Defense** through enriched offers that will use features from the Large Segment portfolio, adapted and delivered throughout a careful client targeting;
- **Lever on high innovative device penetration** to increase VAS adoption, and
- **Push on convergence** to increase loyalty, driving Fixed and Mobile Integrated Services clients by four times within 2015.

Slide 23 – TI Domestic Efficiency Programs: Our Track Record

Moving now to Efficiencies, let me remind you first of all on our excellent track record on Opex cumulative reduction in the past five years, worth in aggregate 5 billion euro of savings.

Moving into more detail on this front, excluding the low hanging fruit of interconnection, cash cost efficiencies in the same period reached about 4.5 billion euro, 2.8 of which were Opex. Achievement rate was more than 100%. This prepares well our course for the 2013-15 Domestic Efficiency Plan.

<u>Slide 24 – TI Domestic New Efficiency Programs</u>

In the next 3 years we are aiming at domestic efficiencies worth cumulatively 1.3 billion that, on top of running historical projects, have 3 newly identified areas of action:

1) “New TI Caring Service” Division, merging 8 caring teams into 1;
2) Real Estate, Energy and Industrial and
3) New “Business Division” with the integration of Large and Business Units into one, which we spoke about before.

The first project, that involves the Customer Care Division, has been implemented during the month of December and it is finalized to:

- increase productivity,
- improve supervisor/workers ratio, and
- introduce important efficiencies on running costs, such as the ones that derive from the reduction of about 15% of the current 122 worksites. There is also a very important insourcing potential, and there are many “Make-or-Buy” options. This project is worth in terms of efficiency about 0.2 billion euro not only related to labour cost.

On Real Estate, Energy and Industrial costs we forecasted efficiencies for 0.5 billion euro, due to increased. We also have identified savings areas in:

- a better use of our facilities through Building Management (both Office and Industrial spaces optimization) price renegotiations.

Energy Management, leveraging on a most efficient Energy planning, energy trading opportunities and the adoption of “Green Energy” Solutions, and

- Leaner customer support processes and better Logistics

Starting from the first of January, we created the new “Business” Division aimed at integrating headquarters, improve the efficiencies and the performance of sales channels. Moreover, we want to stress on ICT to reinforce position in SME segment, raising performance standards to Corporate Client ones.

Slide 26 – Investments: from “Value for Money” to “Money for Value”

Let’s now close up with 2 slides which focus on where we are investing.

Rapidly on n.26, we are chasing the internet growth which is moving at full speed all over Europe, both on fixed and mobile, intercepting its high value fully using our integrated and convergent approach.

Slide 27 – Investments: Sustaining Technological Evolution

On slide 27, finally, we highlight how IT investments also play an important role our overall efficiencies, further enabling our lean and efficient approach on technology investments, which enable a fast and cost effective Fiber and LTE rollout Plan. On this slide you can also see updated targets, which show a relevant progression from the previous plan.

Slide 30 – Take-aways

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Telecom Argentina

FY2012 Preliminary Results & 2013-15 Plan Outline

CEO Franco Bertone

Milan – February 8, 2013

Thank you Alex

Good Afternoon everyone.
Figures I'll be presenting about 2012 results are preliminary and unaudited.
Audited 2012 results will be presented to Telecom Argentina board of directors on Feb. 28th and to the financial community the following day.

2012 main preliminary results

2012 reported revenues grew by 564 million Euro to 3.8 bln, setting a 17.5% YoY growth.
Last quarter, growth rate was down to 9.4% from 20.7% of the previous 9 months, because of the combined effect of exchange rate depreciation of the local currency to the Euro and a slowing economy.
Organic 4th quarter YoY growth was 18.5% being 19,6% for the full year.

2012 reported Ebitda grew 8.3% to 1.1 bln.

In the 4th quarter, 15 mln non-recurring exceptional cost items were posted: these reflect the full estimated cost of streamlining the management structure in the organization.
This efficiency program was partly executed in 4th quarter 2012 and will be completed this year without affecting 2013 result.

Excluding non-recurring exceptional cost items, YoY Ebitda annual growth was 9.8% and as high as 12.7% in the 4th quarter, despite exchange rate depreciation.
Organic YoY growth, excluding non-recurring cost, was 21.8% in the 4th quarter and 11.7% for the full year.

All-in-all, both revenues and Ebitda growth were strong despite the slowing economy.
After a sluggish 2nd and 3rd quarter, Ebitda strongly recovered in the 4th quarter.
Based on reported 3rd quarter figures, we did better than competitors in the top line and delivered higher Ebitda growth.

Fixed-mobile network integration is proving effective and an advantage over competition.

Capex stayed around the 550 mln mark and expenditures, freed from the frequency auction that was cancelled, were reassigned to improve mobile access capacity and coverage as well as to fully revamp existing 3G technology.

At the end of the year, Net Financial Position went from 417 to 563 mln with no debt instruments in foreign currency in the balance sheet.

Mobile Business

In Argentina, the Mobile business did well with 800k net adds to 19 mln lines by the end of the year. The slide does not refer to Paraguay where we operate an additional 2.3m mobile lines.
In the 3rd quarter 2012, our revenue share among the 3 main players in the market increased to 34.5%. 4th quarter figures are not yet available from competitors though we believe will confirm our leadership.

Subscriber base value kept growing as 58% of 2012 net adds were postpaid contract lines and smartphones accounted for over 90% of sell-outs in the 4th quarter.

Despite price adjustments were limited to contract lines in the 4th quarter, full year Arpu grew 12%. Minutes of usage and text traffic were broadly stable while VAS revenues, growing 33% YoY to 7 billion, Pesos exceeded voice revenues this year.

A 3G handsets upgrade program was executed to improve frequency usage efficiency and data service. VAS revenue growth was affected by frequency spectrum shortage.

Personal Black consolidated as the premium brand in the market.

First MNP year was a success: we consistently led net port-ins since the start of portability in April 2012. As much as 83% of ported-in lines were postpaid contracts.
This advantage over competition put us in the position to capitalize on leadership and control subscriber acquisition and retention cost in the last part of the year.

Wireline Business

FTTC deployment is underway and will soon offset the bandwidth gap with competing cable operators.

Upselling of bandwidth upgrades and video streaming boosted revenues and made Arpu increase by 18% for 1.63 million broadband lines.

Voice and wireline/mobile product bundling helped maintain monthly churn rate at 1.4% in a very competitive market driven by cable operators to higher access bandwidth.

Flat voice pricing and supplementary services mitigated the impact of regulated tariffs.
Broadband penetration grew to 39% of installed wirelines.

ICT business is taking shape and we experienced a significant increase of orders backlog both in the private and government sectors.

TA full year results vs guidance

Revenue double-digit growth guidance was met: 2012 revenues were up 19.6% to 22.1 bln Ars.

Ebitda double-digit growth was a close call: 6.6 bln Ars reported Ebitda was up 9.6%.
Excluding non-recurring exceptional cost items posted in the 4th quarter, YoY Ebitda growth was 11.1%.

Capex came out below the 18% of revenue guidance, because of equipment imports affected by delays in clearing customs, due to certain foreign trade restrictions that temporarily applied to our suppliers: 2012 capex was down from guidance to 3.3 bln Ars or 15% of revenues.

TA Plan
Business environment

Following a weak 2012, economy is expected to recover in 2013.

Mobile competition will be shifting to revenue share, portability and data services of existing customer base in the market, as line penetration is approaching maturity.

The requirement of smart data sets and the growing number of always-on customers demand additional frequencies for the mobile industry: 1.7/2.1 GHz band auction process is likely to start in 2013.
RAN sharing is being considered for LTE in the new frequency band.

We expect to retain 2012 strong performance of MNP, postpaid contracts and mobile Internet.

We also expect our revenue share to remain in excess of 34% among the 3 main players, retain revenue share leadership and 2nd place in line share with over 32% of the market.

Our wireline share shall be around 48% of the 2 main voice players and 34% of the 3 main broadband players.

Broadband business priorities shall be a sustained value generation in the subscriber base and an FTTC network upgrade.

Being among the main players of this market, we shall continue developing ICT services.

Mobile business

Our mobile lines shall grow at a 4% average annual rate with Arpu growing at 12% per year.
Improve customer experience is a priority together with consolidation of revenue share and youth segment leadership.

We shall promote mobile Internet across the full customer base as a factor of revenue growth and brand identity.

Operation shall focus on improving the quality of service perceived by the customer.
We shall develop a multichannel approach growing e-commerce and web caring and leveraging on social media to get closer to our customers.
Bundling and upselling shall be primary drivers to grow revenues and realizing the value of our customer base.

Wireline business

Our broadband wirelines shall grow at a 4% average annual rate with Arpu growing at 15% per year.

A primary goal shall be increasing broadband penetration among existing wireline customers.
We shall improve service provision timeline and network delivery in terms of coverage and access bandwidth.

To achieve that, we shall accelerate FTTC deployment, improve core network capacity and quality of service.

Our value proposition to residential customers shall encompass video streaming and content delivery.

To consolidate leadership in ICT market, we shall integrate connectivity with hosting and cloud computing.

Capex plan

In 2012, capex to revenues percentage dropped to 15% because of temporary restrictions of imports to the country.
2013 Capex shall increase to 17% of revenues or 4.7 bln Ars that include 2012 carry-over.

Main Capex driver shall be the upgrade of mobile access capacity and service delivery.
By the end of 2012, we completed the full planning process and 2013 execution schedule to deploy low visual impact cell sites (to work around current restriction from local authorities in granting installation permits for full-size towers), 6 sector antennas and complete technology upgrade of 3G sites, as well as the extension of our network reach to minimize domestic roaming.

We shall expand our Content Delivery Network and accelerate FTTC deployment.
Core network capacity shall be upgraded to accommodate growth of customers and data services, improving end-to-end fault tolerance.

Data center hosting and cloud computing capabilities shall also be upgraded.

Take away

Double digit Revenue growth shall come from improved customer experience, mobile data and increased broadband wireline penetration.

Double digit Ebitda growth shall be delivered controlling operation and caring costs with improved quality of service and a better customer experience.
We shall leverage our market leadership to rationalize acquisition and retention costs.
We shall continue streamlining overhead expenses.

Capex priority focus is to deliver better network service quality, extending reach and capacity of mobile access, especially for mobile data.
Deploying FTTC shall accelerate to effectively compete with cable operators.

We delivered solid growth and consistent results amid weak 2012 economy; we look forward to even stronger results and consolidated leadership in 2013.

Thank you.
I pass the call over to the chair.