

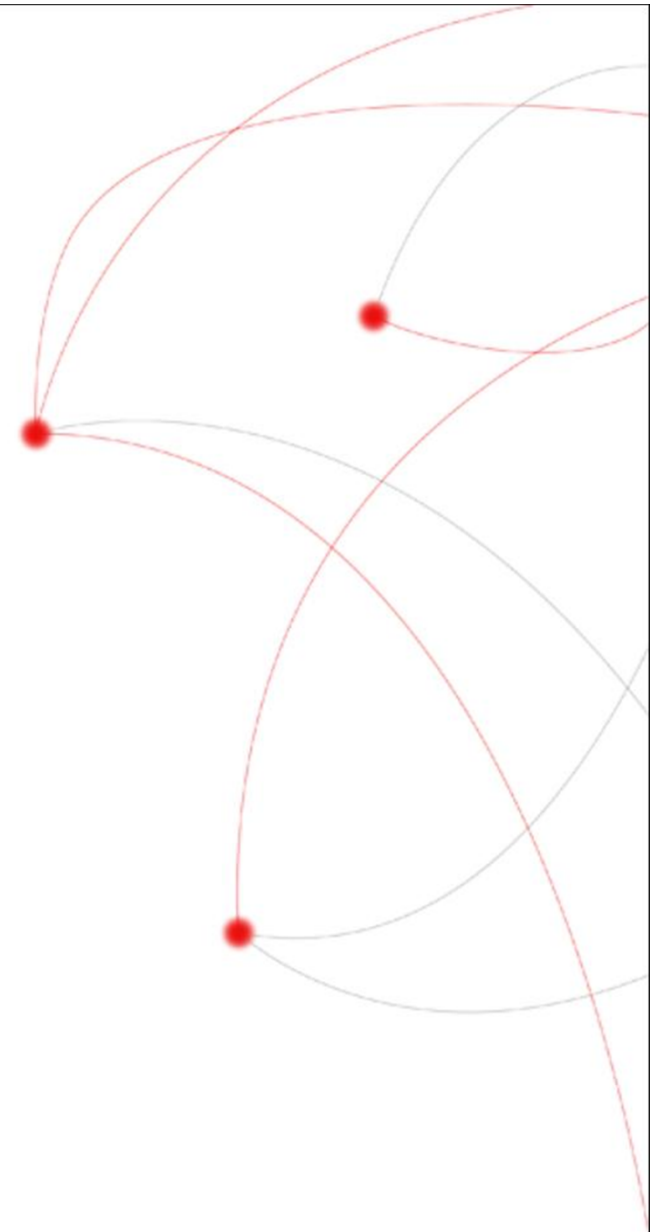
TELECOM ITALIA GROUP

## 1Q 2012 Results

Milan, May 10<sup>th</sup>, 2012

# Telecom Italia 1Q 2012 Results

FRANCO BERNABE'



## Safe Harbour

These presentations contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activities and situation relating to the Company and the Group.

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Forward-looking information is based on certain key assumptions which we believe to be reasonable as of the date hereof, but forward looking information by its nature involves risks and uncertainties, which are outside our control, and could significantly affect expected results.

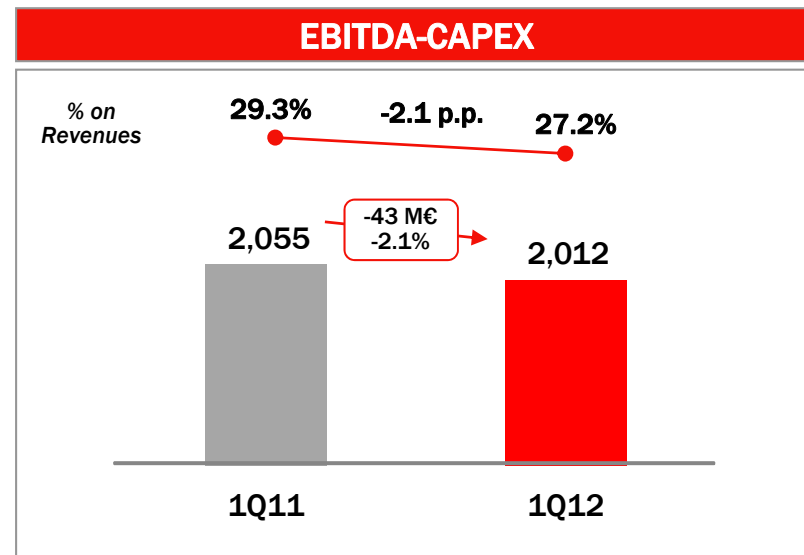
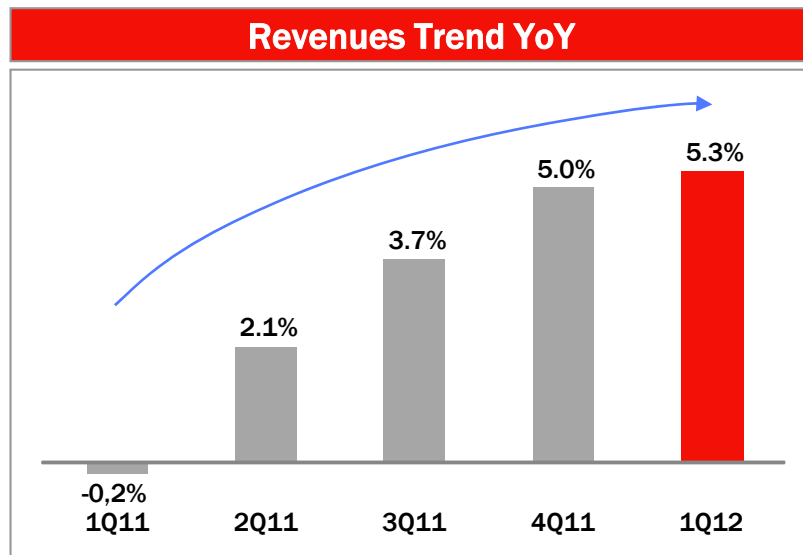
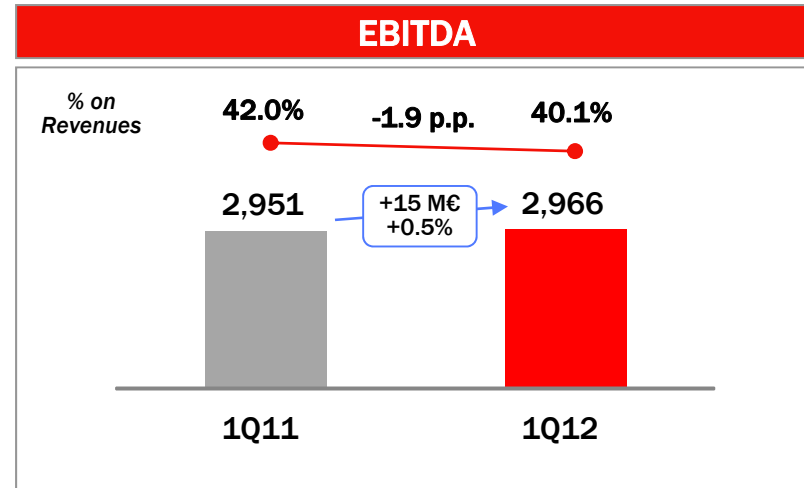
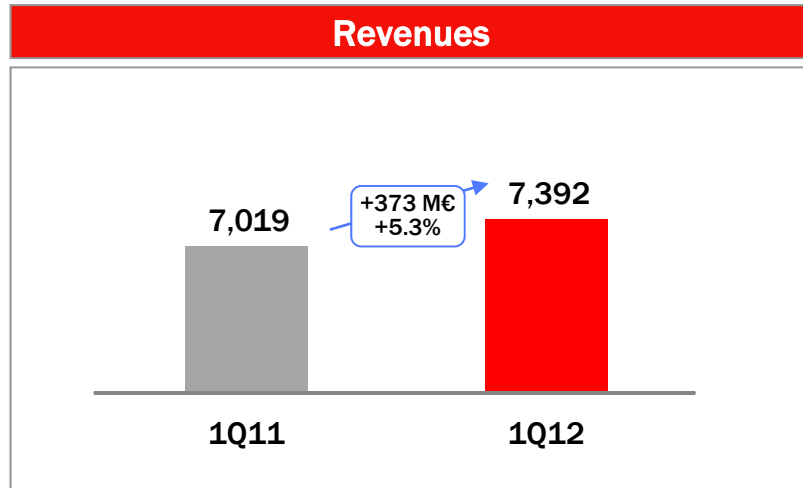
Analysts are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia S.p.A. undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect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

# Agenda

- ▶ **TI Group 1Q12 Results**
  
- ▶ **Telecom Italia Core Markets Results**
  - ▶ Italy
  - ▶ Brazil
  - ▶ Argentina
  
- ▶ **Wrap-up**
- ▶ **Appendix**

# TI Group Key Results

Euro mln, Organic data, %



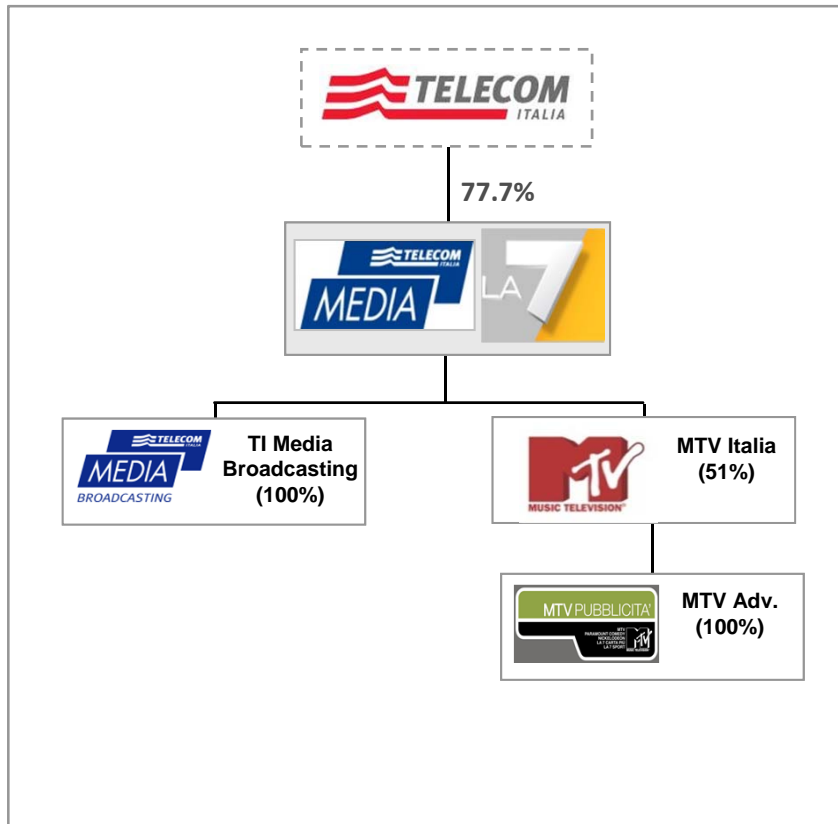
# TI Group Key Results by Core Markets

Euro mln, Organic Data

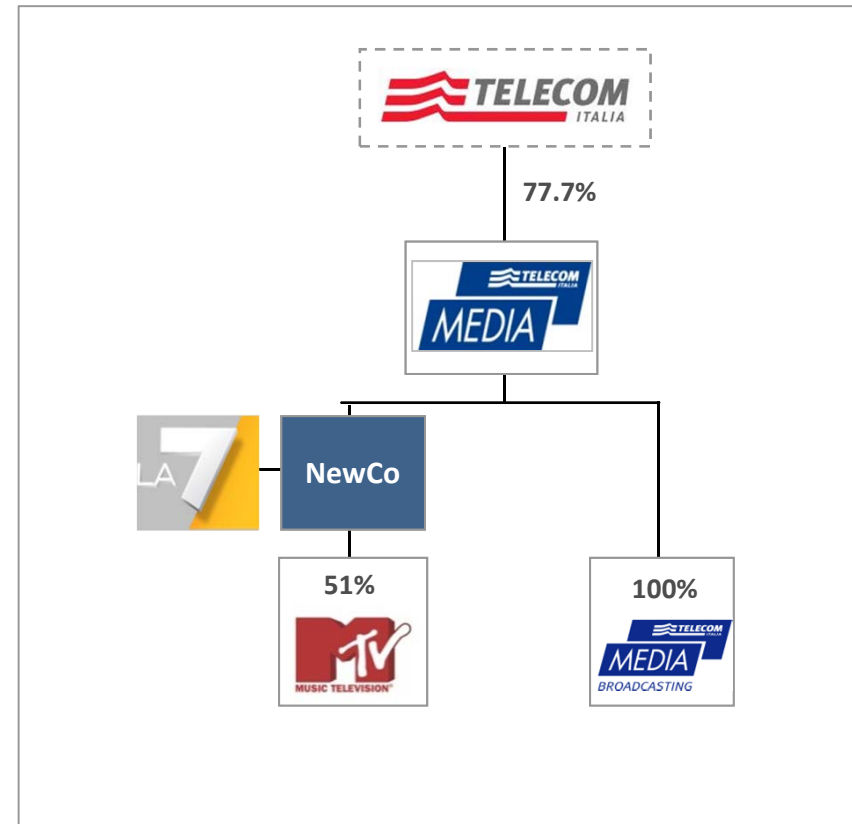
|                     | Weight on TI Group |              | TI Group     |              | Domestic     |               | Brazil     |               | Argentina |        |
|---------------------|--------------------|--------------|--------------|--------------|--------------|---------------|------------|---------------|-----------|--------|
|                     | 1Q12               | Δ% yoy       | 1Q12         | Δ% yoy       | 1Q12         | Δ% yoy        | 1Q12       | Δ% yoy        | 1Q12      | Δ% yoy |
| <b>Revenues</b>     | <b>7,392</b>       | <b>+5.3%</b> | <b>4,486</b> | <b>-2.4%</b> | <b>1,928</b> | <b>+19.1%</b> | <b>901</b> | <b>+24.0%</b> |           |        |
|                     |                    |              | 60.4%        |              | 26.0%        |               | 12.2%      |               | 38.2%     |        |
| <b>EBITDA</b>       | <b>2,966</b>       | <b>+0.5%</b> | <b>2,196</b> | <b>-3.4%</b> | <b>505</b>   | <b>+13.5%</b> | <b>289</b> | <b>+16.6%</b> |           |        |
|                     |                    |              | 74.0%        |              | 17.0%        |               | 9.7%       |               | 26.7%     |        |
| <b>EBITDA-CAPEX</b> | <b>2,012</b>       | <b>-2.1%</b> | <b>1,607</b> | <b>-0.2%</b> | <b>271</b>   | <b>-14.6%</b> | <b>168</b> | <b>+5.1%</b>  |           |        |
|                     |                    |              | ~80%         |              | ~14%         |               | ~8%        |               |           |        |

# TI Media: Corporate Re-organization leading to Disposal

### Current Structure

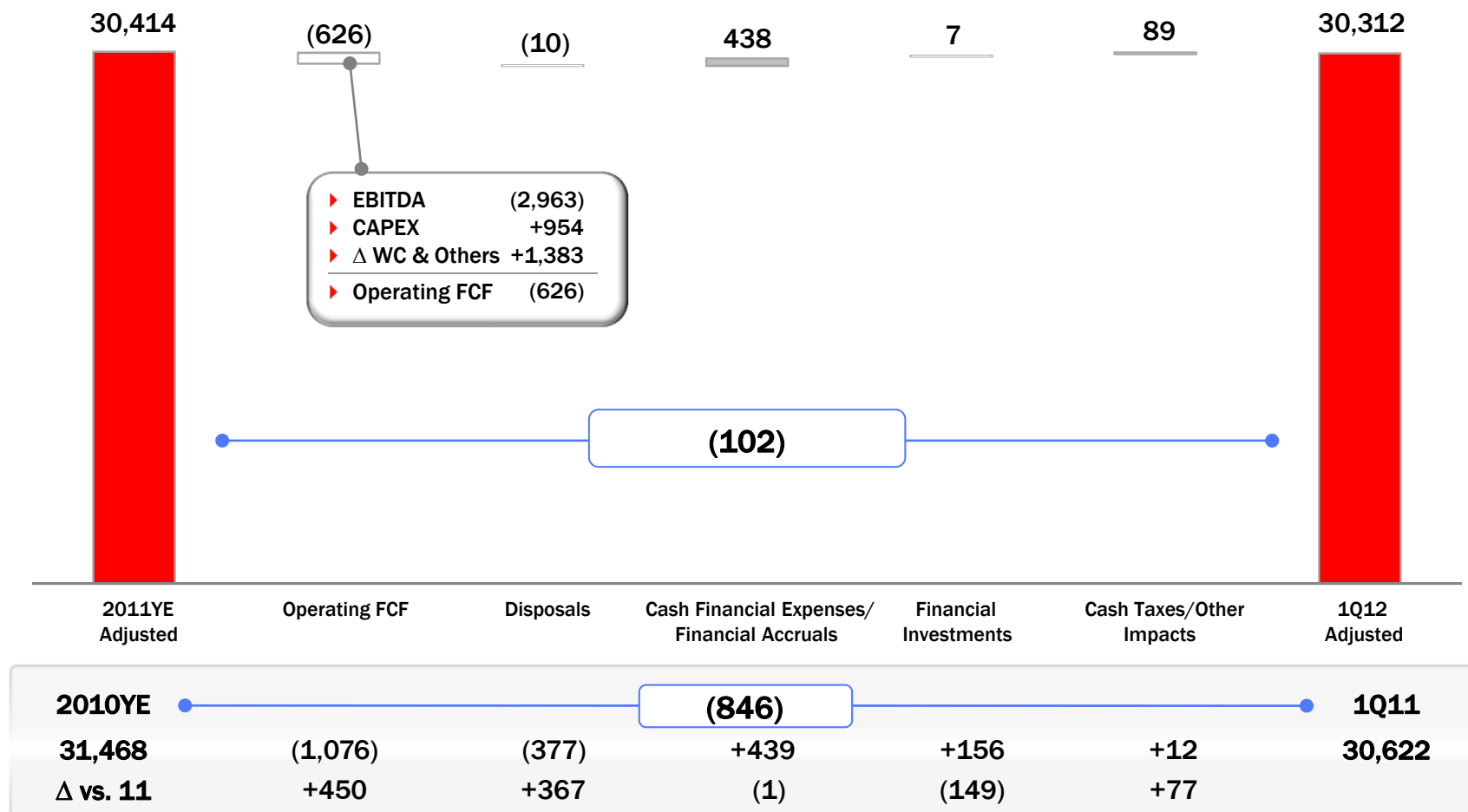


### Post Re-organization



# Debt Reduction Progressing as per Planned Sequence

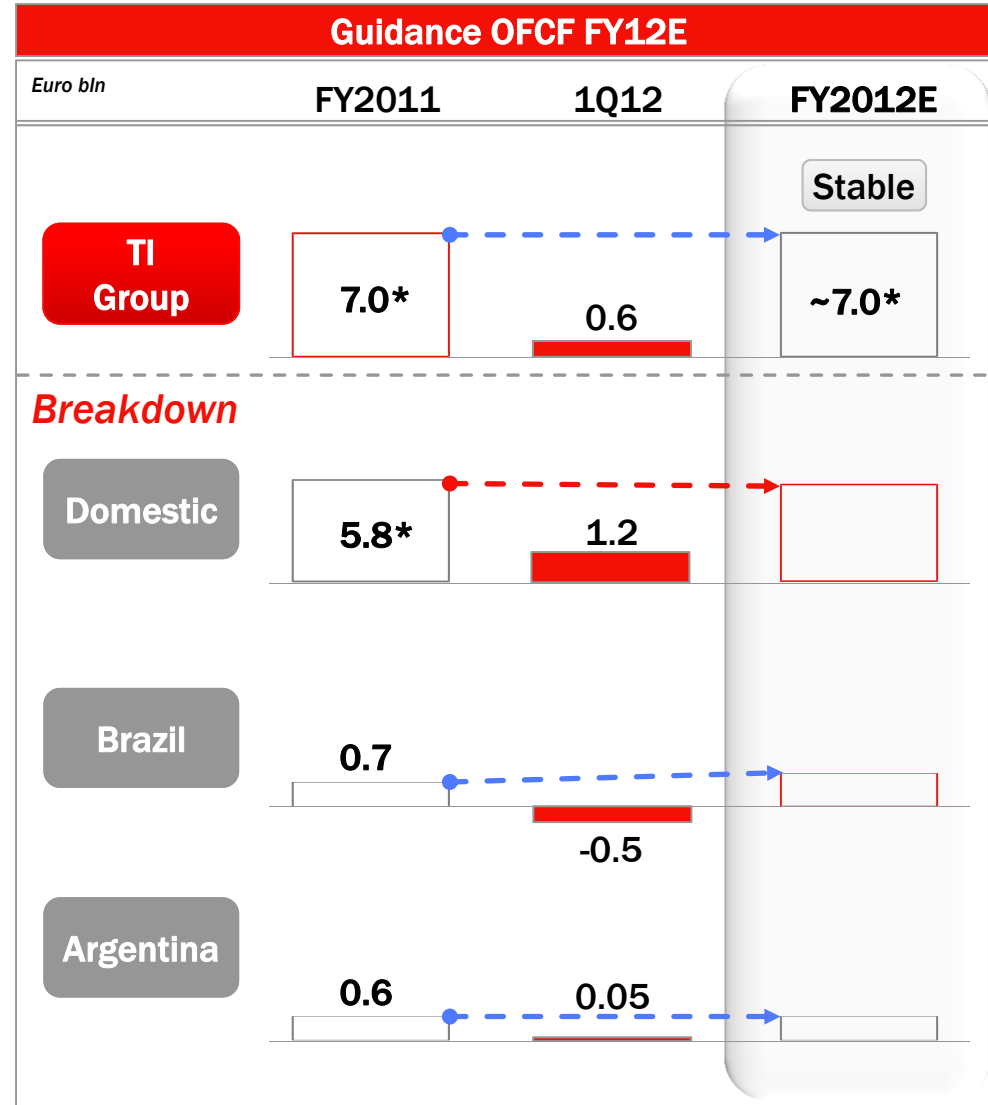
Euro mln, Reported Data



# Free Cash Flow Generation: in line with Targets

| Operating Free Cash Flow |       |      |       |
|--------------------------|-------|------|-------|
| Euro mln, Reported Data  |       |      |       |
| Revenues                 | 7,073 | +319 | 7,392 |
| Opex                     | 4,144 | -285 | 4,429 |
| Capex                    | 901   | -53  | 954   |
| Δ WC                     | 952   | -431 | 1,383 |
| OFCF                     | 1,076 | -450 | 626   |
|                          | 1Q11  |      | 1Q12  |

- ▶ **Brazil: - 0.3bln €** (capex acceleration for network upgrades and increased cashout from TLC fees)
- ▶ **Domestic: - 0.1bln €** (increased VAT payment)
- ▶ **Argentina: stable**
- ▶ **TI Media: -0.04bln €**

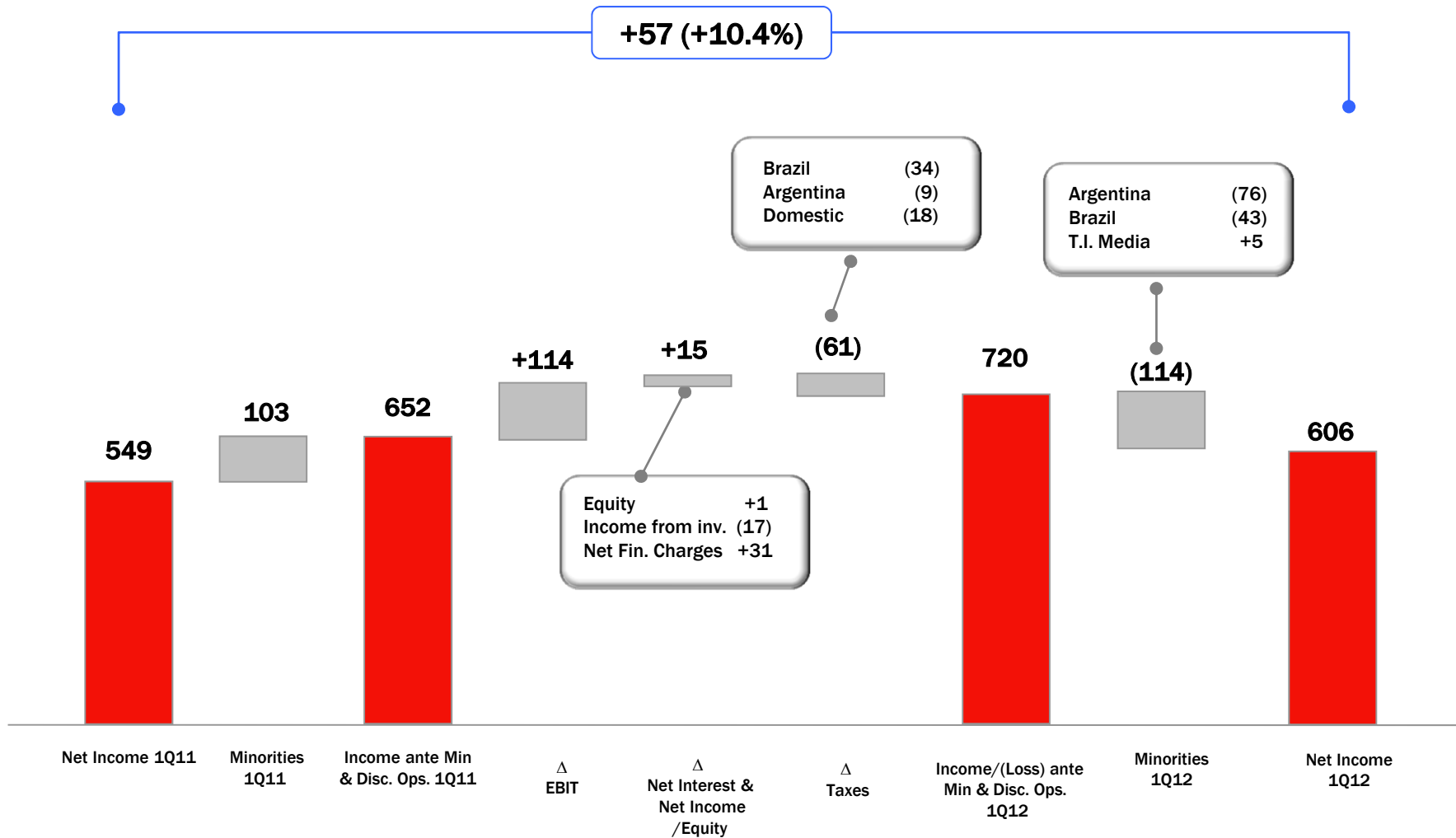


\* Excluding spectrum acquisitions



# Net Income Evolution

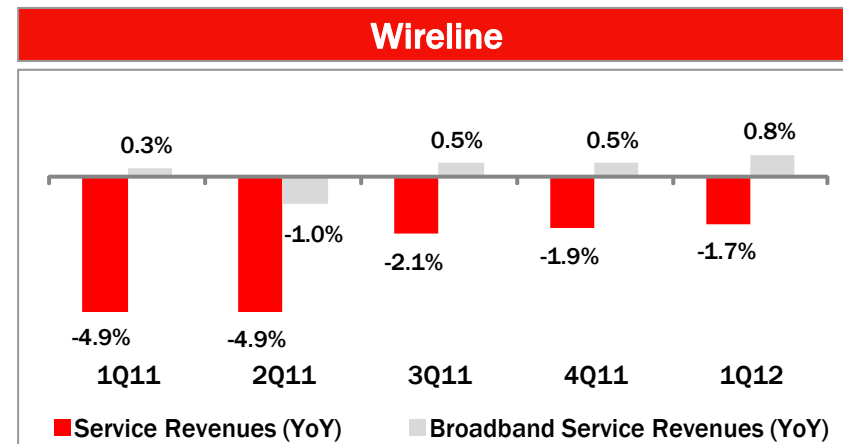
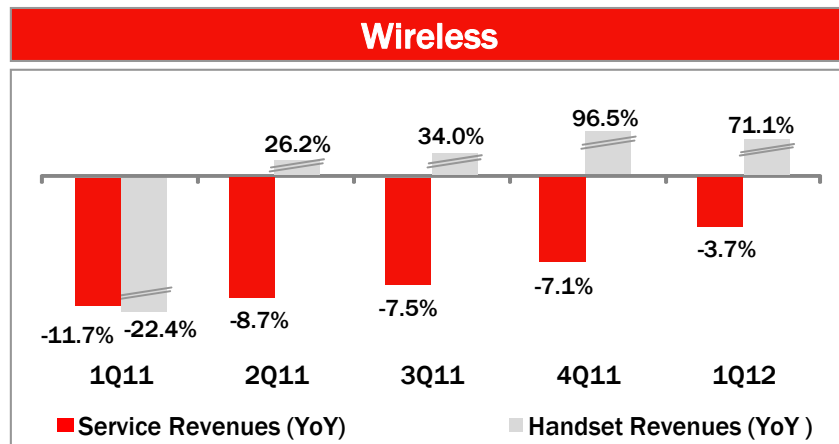
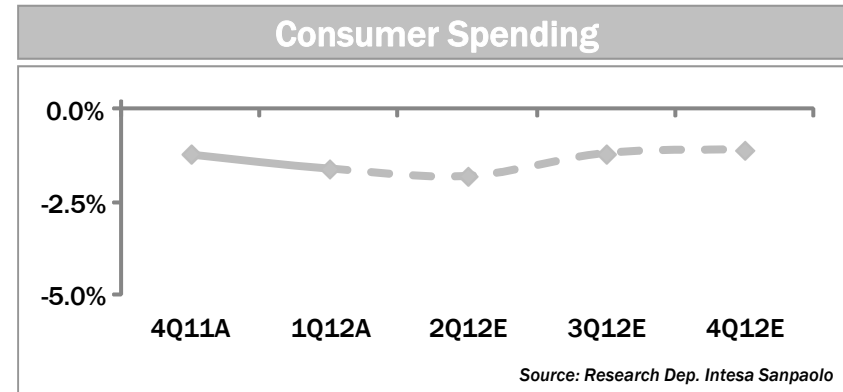
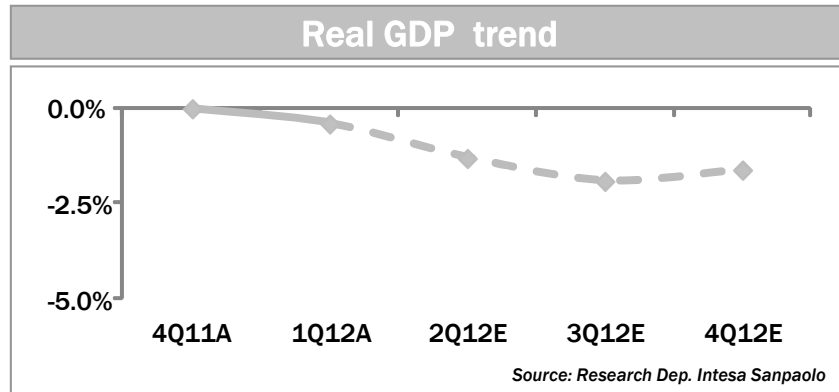
Euro mln



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# Italy: Continued Resilience in a Weak Macro Context



- ▶ Continuous recovery also supported by a more rational competition and strong improvement in main KPIs.
- ▶ Mobile data momentum sustained by high smartphones sales.

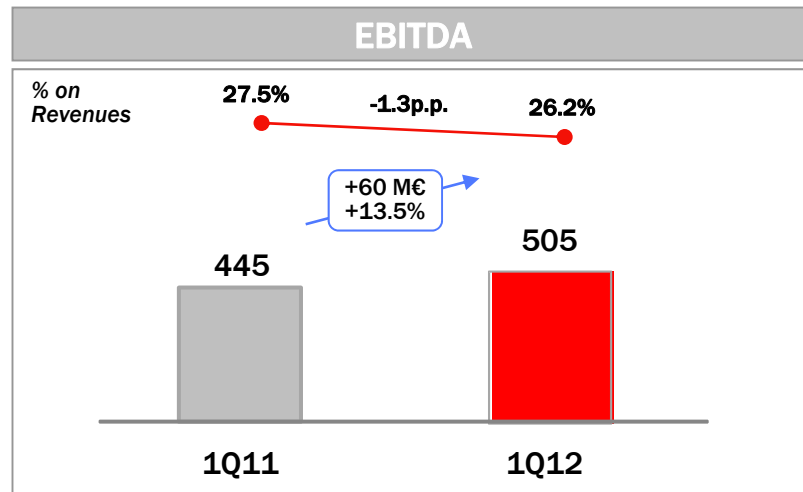
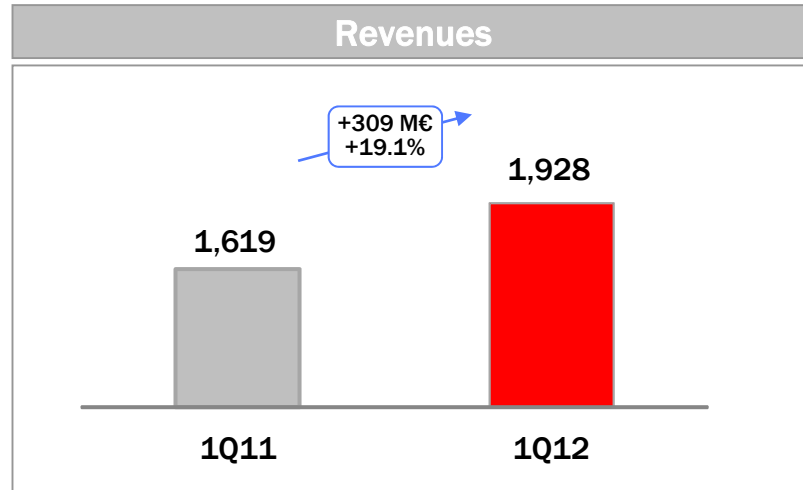
- ▶ Confirmed the positive growth in broadband service revenues with a slight sequential improvement (+0.8% YoY).
- ▶ TI market share on fixed accesses keeps almost stable.

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## Brazil: Revenues and EBITDA Trend

Euro mln, Organic Data



### Size

- ▶ TIM Brazil confirmed as #2 operator, with service revenues up 15.9% YoY
- ▶ Postpaid users increased to about 10 mln (+25% YoY)

### Revenue Growth

- ▶ Top line growth driven by community expansion and “internet for All” concept
- ▶ VAS Revenues acceleration (>60% YoY) thanks to continued smartphone penetration increase, now at 31.1% (12.6% in 1Q11)

### Value Creation

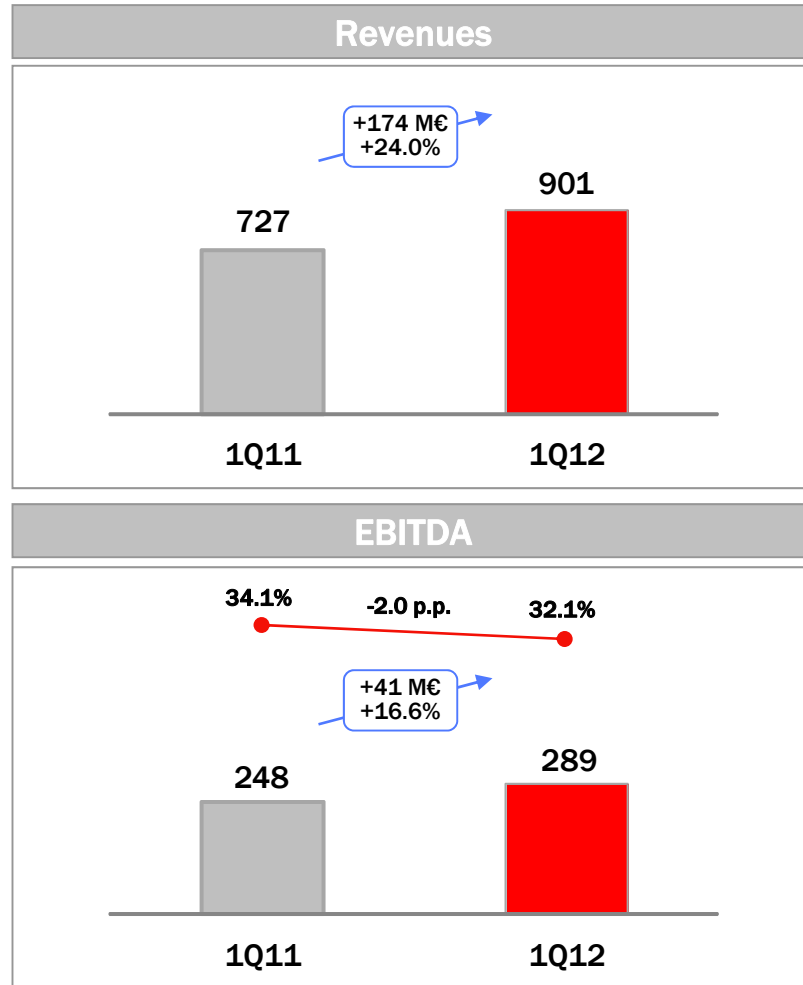
- ▶ In the last three quarters, TIM Brasil confirmed its #2 position without penalizing margins. Service EBITDA margin stable YoY
- ▶ Bad Debt/Gross Revenues ratio stable

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## Argentina: Revenues and EBITDA Trend

Euro mln, Organic Data, %



### Size

- ▶ Argentina: Personal #1 in Mobile Revenue Share
- ▶ Steady growth in fixed BB accesses (+1% QoQ)

### Revenue Growth

- ▶ Personal: strong VAS Revenue growth still driven by SMS & Internet
  - ▶ ARPU Personal +16% YoY
  - ▶ VAS reached 52% of service revenues
- ▶ Strong Broadband growth: 1Q12 BB ARPU +16% YoY

### Value Creation

- ▶ Confirmed double-digit EBITDA Growth: +16.6% YoY
- ▶ Sound organic EBITDA-CAPEX generation: +5.1% YoY
- ▶ Solid cash position: around €450 million, also due to the delay in spectrum auction

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## Telecom Italia Group – FY 2012 and 2012-14 Plan Key Guidance

Organic Data\*

| TI Group – FY 2012 Key Guidance |                       |
|---------------------------------|-----------------------|
| <b>Revenues</b>                 | <b>Stable</b>         |
| <b>Ebitda</b>                   | <b>Broadly Stable</b> |
| <b>NFP Adj.**</b>               | <b>~ 27.5 € bln</b>   |

Organic Data\*

| TI Group – 2012-14 Plan Key Guidance ** |   |
|---|---|
| <b>Ebitda-Capex cum '12-'14</b>         | <b>&gt;22 € bln</b>   |
| <b>Capex cum '12-'14</b>                | <b>&gt;15 € bln</b>   |
| <b>NFP Adj. 2012-'14</b>                | <b>FY 2012: ~ 27.5 € bln</b><br><b>FY 2013: ~ 25 € bln</b><br><b>From FY 2014: &lt; 2x Net Debt/Ebitda***</b> |

\*exchange rates 2011 (R\$/€ 2.33; ARS/€5.74), excluding impact from non-organic items

\*\* excluding Latam spectrum licences

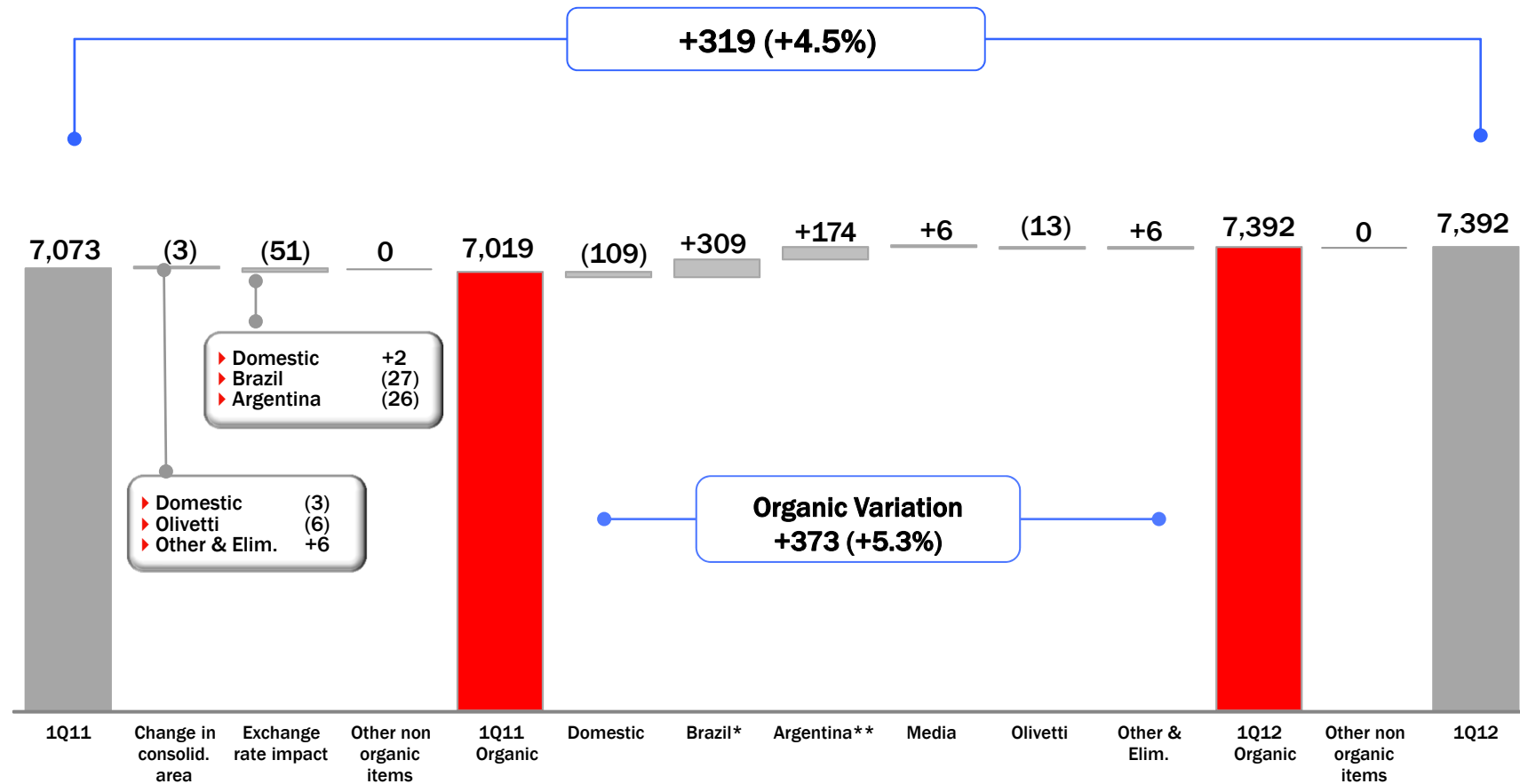
\*\*\* reported figure

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# TI Group – Revenues Evolution

Euro mln

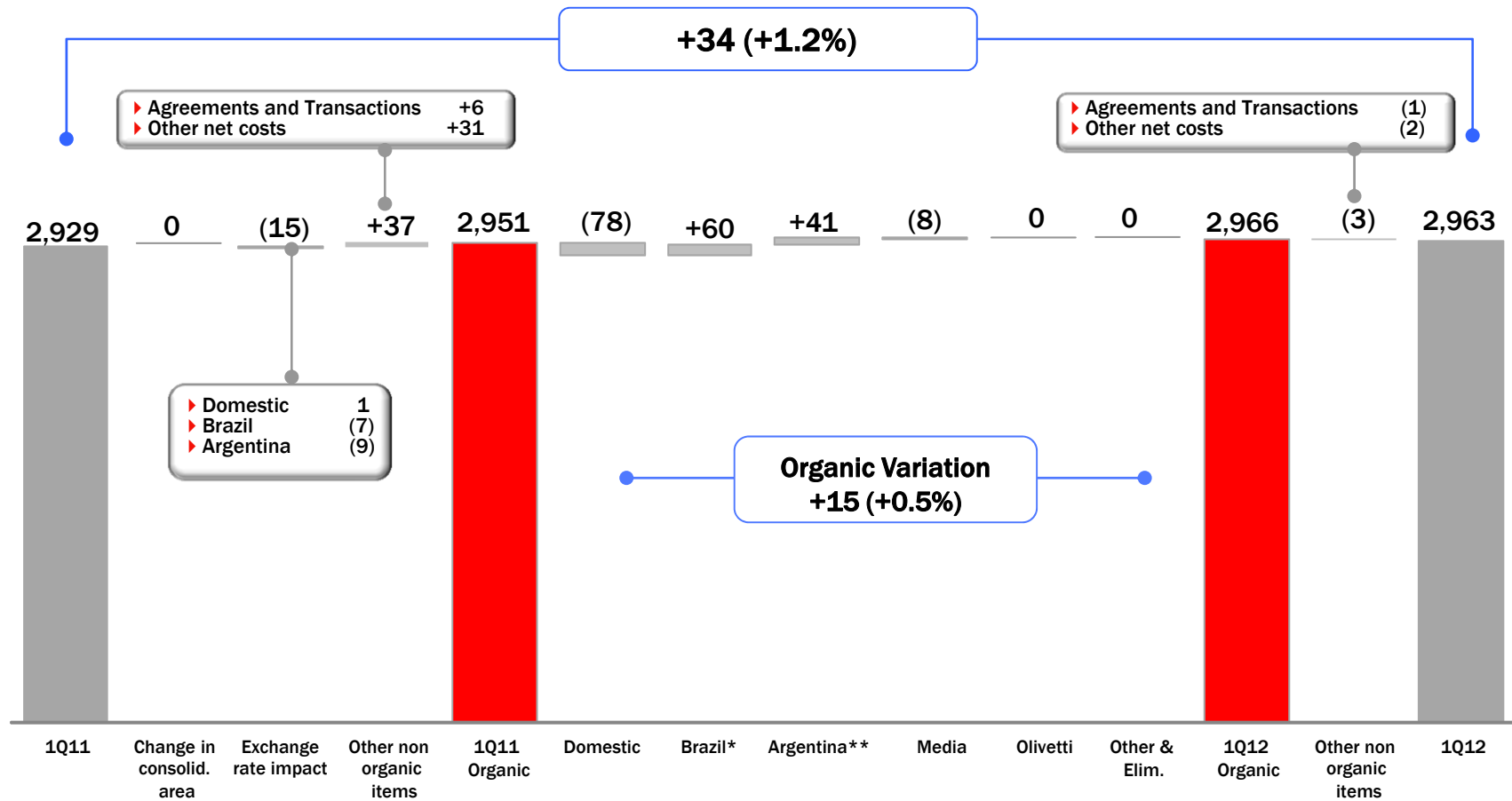


\* Average Exchange rate (Real/Euro): 2.32 in 2012, 2.28 in 2011

\*\* Average Exchange rate (Peso/Euro): 5.69 in 2012, 5.49 in 2011

# TI Group – EBITDA Evolution

Euro mln

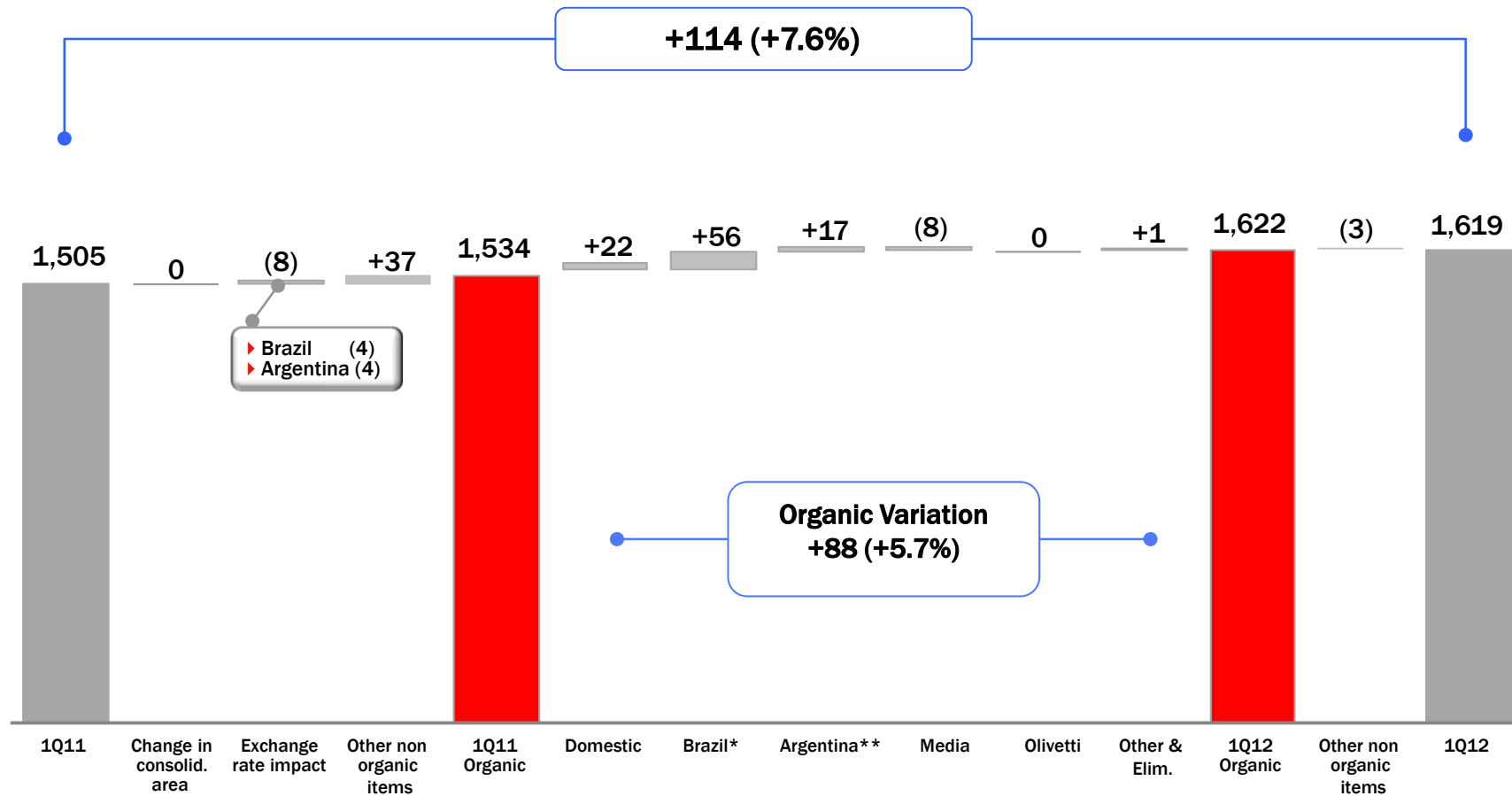


\* Average Exchange rate (Real/Euro): 2.32 in 2012, 2.28 in 2011

\*\* Average Exchange rate (Peso/Euro): 5.69 in 2012, 5.49 in 2011

# TI Group – EBIT Evolution

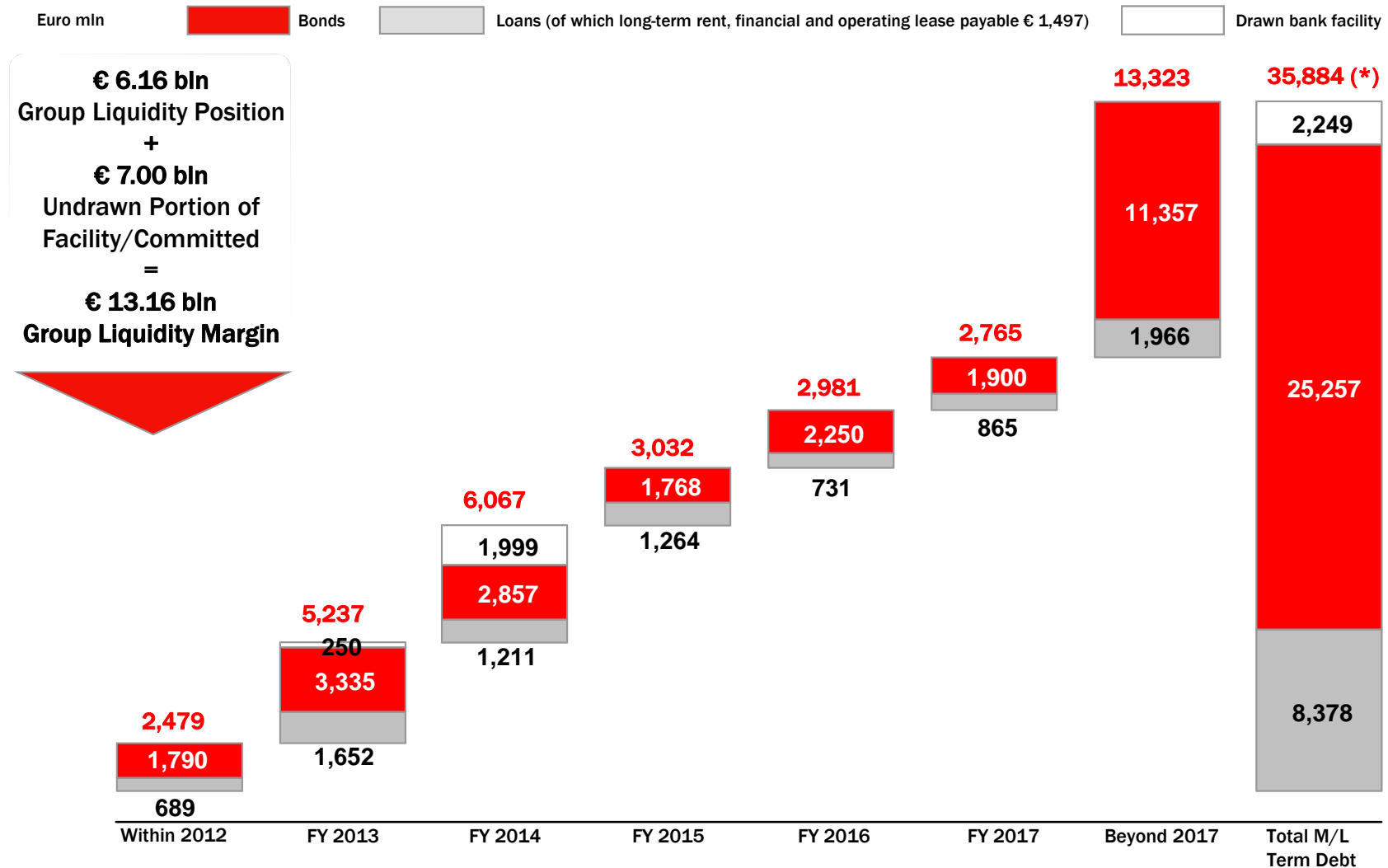
Euro mln



\* Average Exchange rate (Real/Euro): 2.32 in 2012, 2.28 in 2011

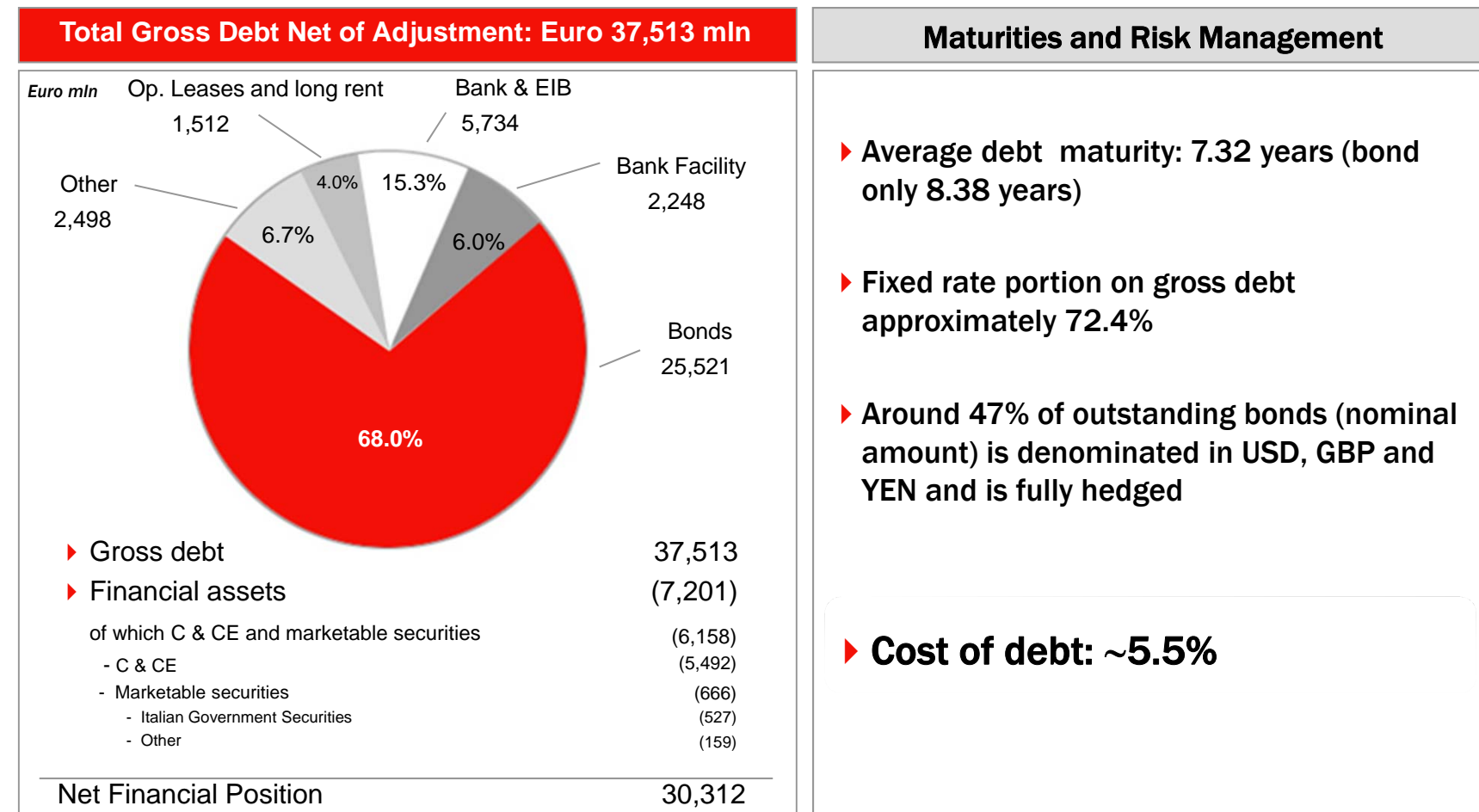
\*\* Average Exchange rate (Peso/Euro): 5.69 in 2012, 5.49 in 2011

# Robust Liquidity Margin and Well-Distributed Debt Maturities



(\*) € 35,884 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 805 mln) and current liabilities (€ 824 mln), the gross debt figure of € 37,513 mln is reached.  
N.B. Debt maturities are net of € 646 mln (face value) of repurchased own bonds (of which € 354 mln related to bonds due in the next 24 months).

## Well Diversified and Hedged Debt



*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 2.545 €/mln (of which 789 €/mln on bonds);*

*- the impact on Financial Assets is equal to 1.878 €/mln.*

*Therefore, the Net Financial Indebtedness is adjusted by 667 €/mln.*

# TI Group 1Q12 Results - P&L

Euro mln - Reported Data

|  | I Quarter    |              |            |              |
|--|--------------|--------------|------------|--------------|
|  | 2012         | 2011         | Δ Abs.     | Δ %          |
| <b>REVENUES</b>                                    | <b>7,392</b> | <b>7,073</b> | <b>319</b> | <b>4.5%</b>  |
| Other Operating Income                             | 52           | 48           | 4          |              |
| <b>TOTAL REVENUES &amp; OTHER INCOME</b>           | <b>7,444</b> | <b>7,121</b> | <b>323</b> | <b>4.5%</b>  |
| Total Purchases of materials and external services | -3,231       | -2,995       | -236       |              |
| Personnel  | -998         | -990         | -8         |              |
| of which payroll                                   | -987         | -980         | -7         |              |
| Other operating costs                              | -456         | -398         | -58        |              |
| Capitalized Cost and Others                        | 204          | 191          | 13         |              |
| <b>EBITDA</b>                                      | <b>2,963</b> | <b>2,929</b> | <b>34</b>  | <b>1.2%</b>  |
| <i>% on Revenues</i>                               | 40.1%        | 41.4%        |            |              |
| Depreciation & Amortization                        | -1,340       | -1,425       | 85         |              |
| Writedowns and revaluations of non current assets  | 0            | 1            | -1         |              |
| Gains/losses of non current assets realization     | -4           | 0            | -4         |              |
| <b>EBIT</b>  | <b>1,619</b> | <b>1,505</b> | <b>114</b> | <b>7.6%</b>  |
| <i>% on Revenues</i>                               | 21.9%        | 21.3%        |            |              |
| Income (loss) equity invest. valued equity method  | -3           | -4           | -29        |              |
| Other income ( expenses ) from investments         | 0            | 17           | 15         |              |
| Net Financial Income / (Expenses)                  | -439         | -470         | 4          |              |
| <b>Income before Taxes &amp; Disc. Ops.</b>        | <b>1,177</b> | <b>1,048</b> | <b>129</b> | <b>12.3%</b> |
| <i>% on Revenues</i>                               | 15.9%        | 14.8%        |            |              |
| Taxes  | -457         | -396         | 0          |              |
| <b>Income before Disc. Ops.</b>                    | <b>720</b>   | <b>652</b>   | <b>68</b>  |              |
| Net income (loss) of assets disposed               | 0            | 0            | 0          |              |
| <b>Net Income (ante Minorities)</b>                | <b>720</b>   | <b>652</b>   | <b>68</b>  |              |
| <i>% on Revenues</i>                               | 9.7%         | 9.2%         |            |              |
| Minorities   | -114         | -103         | 0          |              |
| <b>Net Income (post Minorities)</b>                | <b>606</b>   | <b>549</b>   | <b>57</b>  | <b>10.4%</b> |
| <i>% on Revenues</i>                               | 8.2%         | 7.8%         |            |              |



# TI Group 1Q12 – Main Results by BU

Euro mln

| Reported          | I Quarter    |              |            |            |
|-------------------|--------------|--------------|------------|------------|
|                   | 2012         | 2011         | Δ Abs.     | Δ %        |
| <b>REVENUES</b>   |              |              |            |            |
| Domestic          | 4,486        | 4,596        | -110       | (2.4)      |
| Wireline Domestic | 3,235        | 3,331        | -96        | (2.9)      |
| Tim Domestic      | 1,650        | 1,679        | -29        | (1.7)      |
| Brazil            | 1,928        | 1,646        | 282        | 17.1       |
| Argentina         | 901          | 753          | 148        | 19.7       |
| Media             | 58           | 52           | 6          | 11.5       |
| Olivetti          | 59           | 78           | -19        | (24.4)     |
| Other Activities  | 1            | 1            | 0          | 0.0        |
| Elim.             | -41          | -53          | 12         |            |
| <b>TI Group</b>   | <b>7,392</b> | <b>7,073</b> | <b>319</b> | <b>4.5</b> |

|                      | I Quarter    |              |                |            |
|----------------------|--------------|--------------|----------------|------------|
|                      | 2012         | 2011         | Δ Abs.         | Δ %        |
| <b>EBITDA</b>        |              |              |                |            |
| Domestic             | 2,193        | 2,236        | -43            | (1.9)      |
| Brazil               | 505          | 452          | 53             | 11.7       |
| Argentina            | 289          | 257          | 32             | 12.5       |
| Media                | -6           | 2            | -8             | -          |
| Olivetti             | -14          | -14          | 0              | 0.0        |
| Other Activities     | -2           | -2           | 0              | 0.0        |
| Elim.                | -2           | -2           | 0              |            |
| <b>TI Group</b>      | <b>2,963</b> | <b>2,929</b> | <b>34</b>      | <b>1.2</b> |
| <b>EBITDA MARGIN</b> | <b>40.1%</b> | <b>41.4%</b> | <b>-1.3 pp</b> |            |

| Organic           | I Quarter    |              |            |            |
|-------------------|--------------|--------------|------------|------------|
|                   | 2012         | 2011         | Δ Abs.     | Δ %        |
| <b>REVENUES</b>   |              |              |            |            |
| Domestic          | 4,486        | 4,595        | -109       | (2.4)      |
| Wireline Domestic | 3,235        | 3,330        | -95        | (2.9)      |
| Tim Domestic      | 1,650        | 1,679        | -29        | (1.7)      |
| Brazil            | 1,928        | 1,619        | 309        | 19.1       |
| Argentina         | 901          | 727          | 174        | 24.0       |
| Media             | 58           | 52           | 6          | 11.5       |
| Olivetti          | 59           | 72           | -13        | (18.1)     |
| Other Activities  | 1            | 1            | 0          | 0.0        |
| Elim.             | -41          | -47          | 6          |            |
| <b>TI Group</b>   | <b>7,392</b> | <b>7,019</b> | <b>373</b> | <b>5.3</b> |

|                      | I Quarter    |              |                |            |
|----------------------|--------------|--------------|----------------|------------|
|                      | 2012         | 2011         | Δ Abs.         | Δ %        |
| <b>EBITDA</b>        |              |              |                |            |
| Domestic             | 2,196        | 2,274        | -78            | (3.4)      |
| Brazil               | 505          | 445          | 60             | 13.5       |
| Argentina            | 289          | 248          | 41             | 16.6       |
| Media                | -6           | 2            | -8             | -          |
| Olivetti             | -14          | -14          | 0              | 0.0        |
| Other Activities     | -2           | -2           | 0              | 0.0        |
| Elim.                | -2           | -2           | 0              |            |
| <b>TI Group</b>      | <b>2,966</b> | <b>2,951</b> | <b>15</b>      | <b>0.5</b> |
| <b>EBITDA MARGIN</b> | <b>40.1%</b> | <b>42.0%</b> | <b>-1.9 pp</b> |            |

# Focus on Working Capital

Euro mln, Reported Data

