

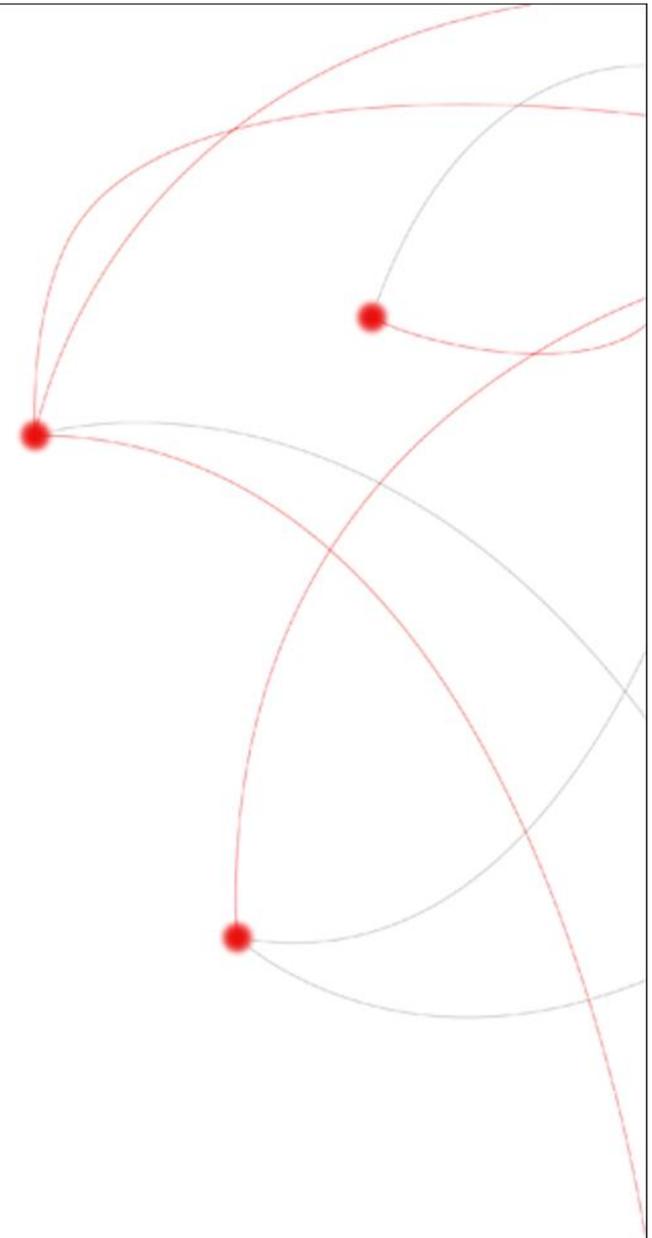
TELECOM ITALIA GROUP

## 1H 2012 Results

Milan, August 2<sup>nd</sup>, 2012

# Telecom Italia 1H 2012 Results

MARCO PATUANO



## Safe Harbour

These presentations contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of 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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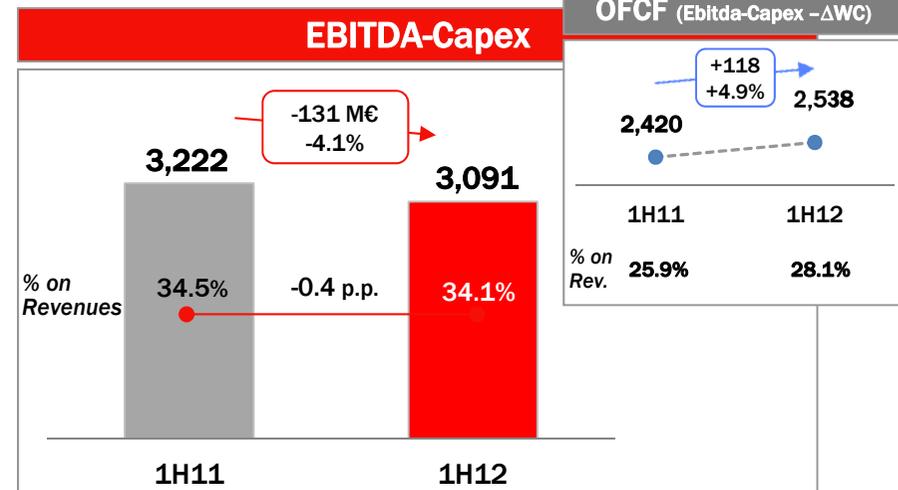
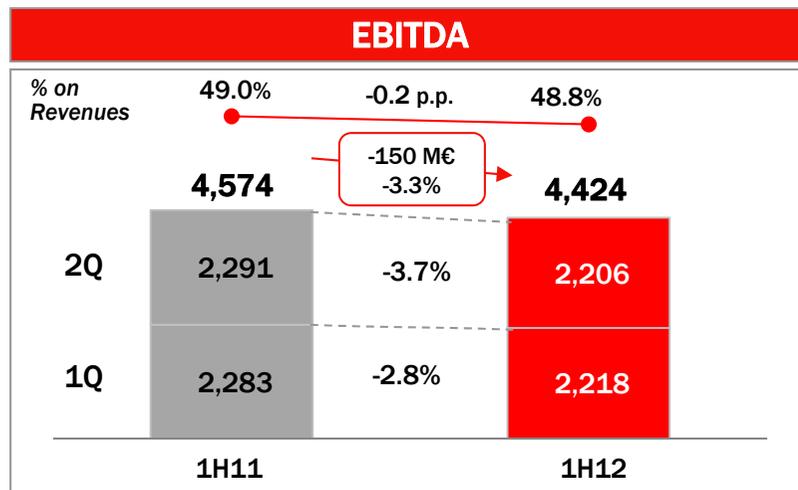
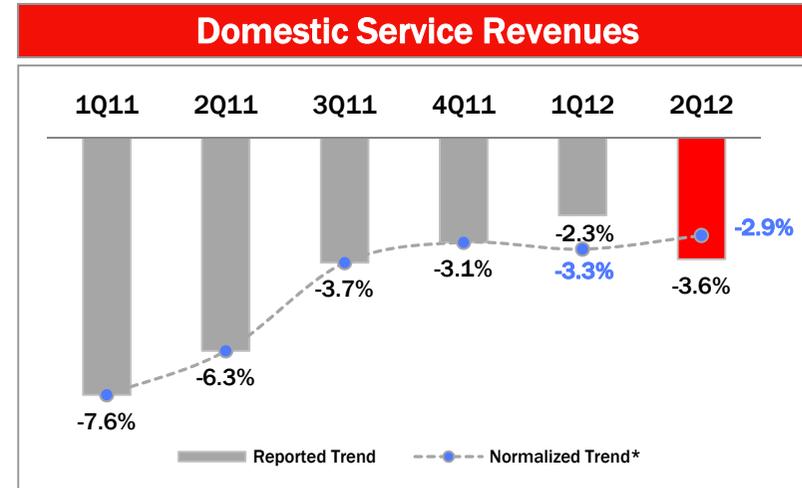
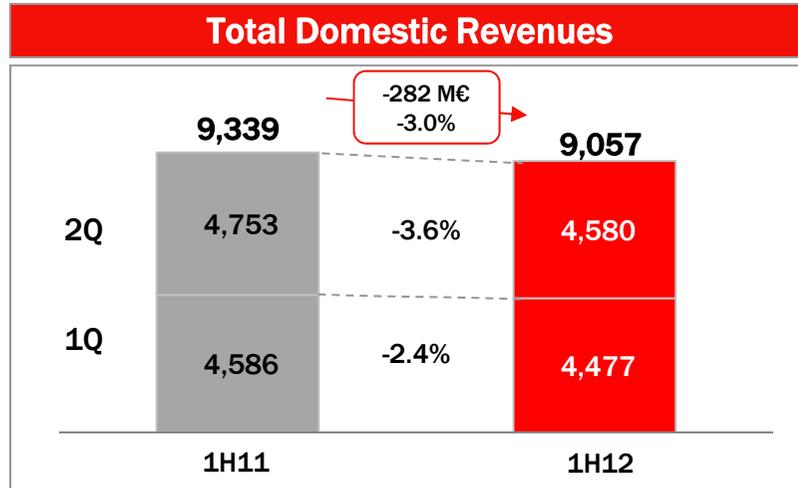
Some data for the 2011 financial year used in comparisons included into this presentation are restated as a result of the early adoption of the revised IAS 19 (Employee Benefits) version and the reclassification of Matrix from the Business Unit Domestic-Core Domestic to the Business Unit Other Activities

# Agenda

- ▶ **Domestic 2Q12 Progress Report**
  - ▶ Fixed Business
  - ▶ Mobile Business
- ▶ Cash Cost Rationalization & Operating Model
- ▶ Appendix

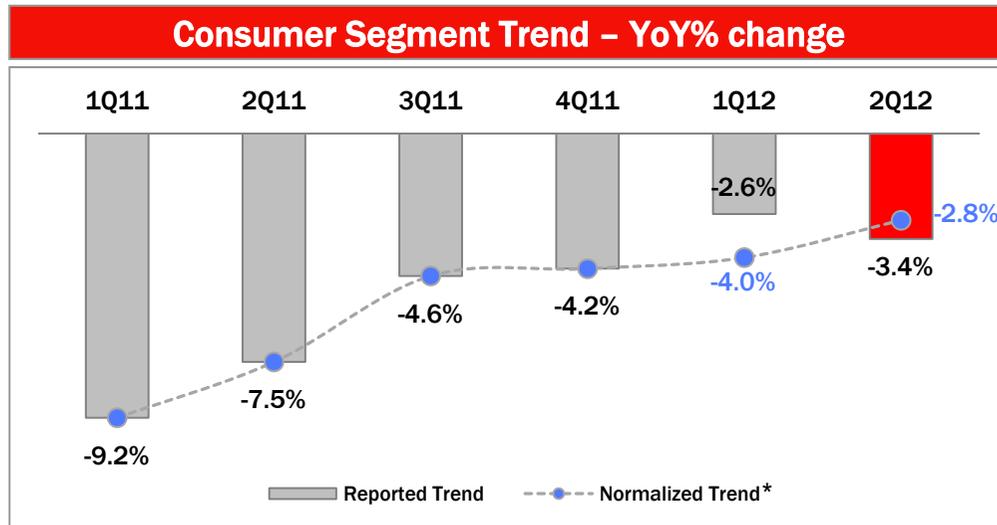
# Domestic Results: On-Track and Resilient

Euro mln, Organic data, %

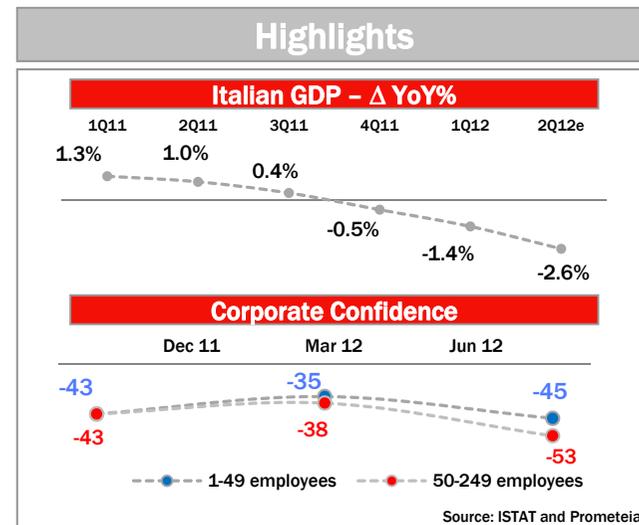
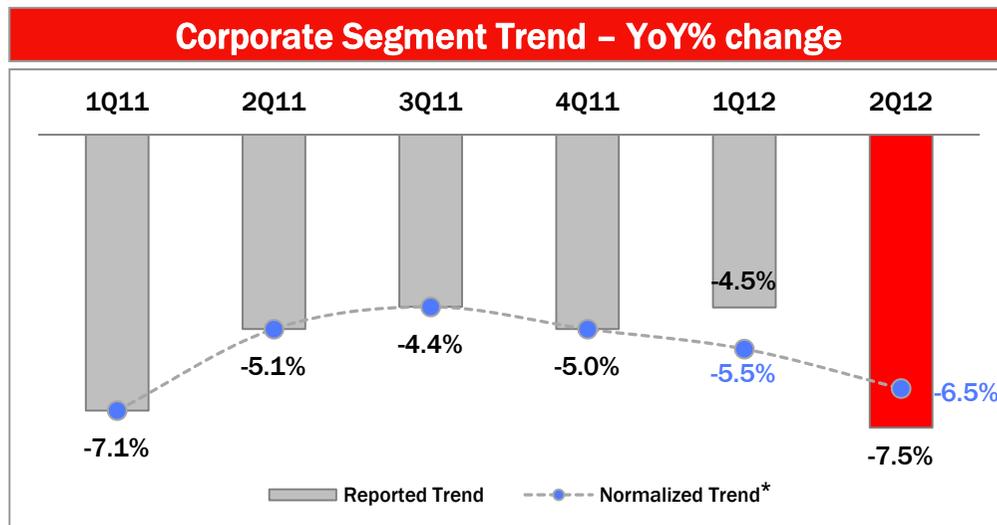


\* Normalized data for bad weather and calendar discontinuity

# Service Revenues Trend by Segment: Consumer & Corporate



- ### Highlights
- ▶ Continued uptrend on Overall Consumer Service Revenues proves our strategy on Service and Value is winning
  - ▶ Corporate Segment:
    - ▶ while SME/SOHO holds on KPIs (even improving on winbacks), adverse macro is causing lower flow of business
    - ▶ on Top Corporate and Public Segment, the attitude is still cautious

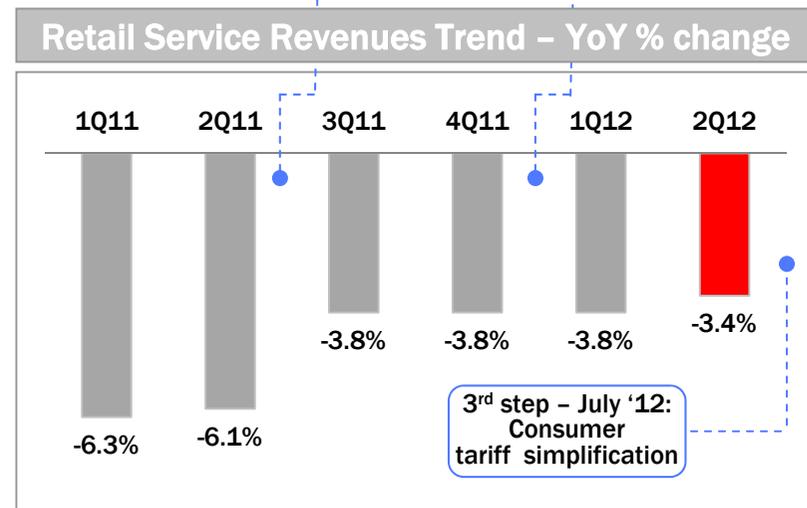
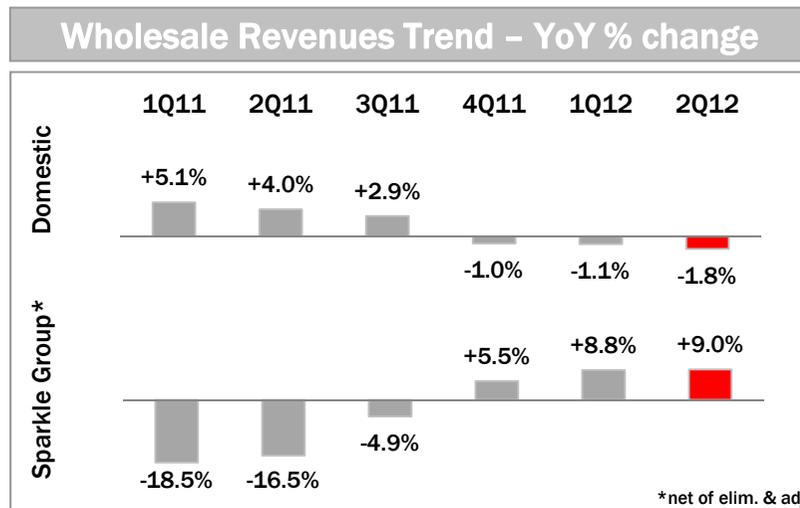
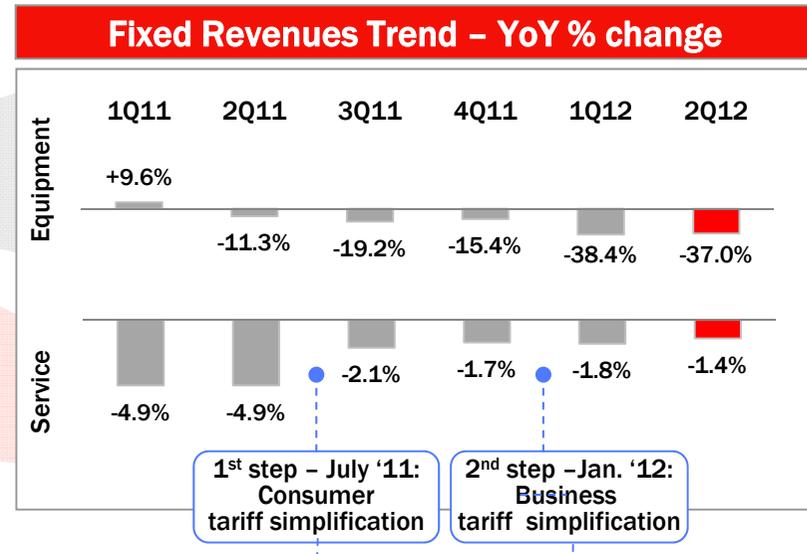
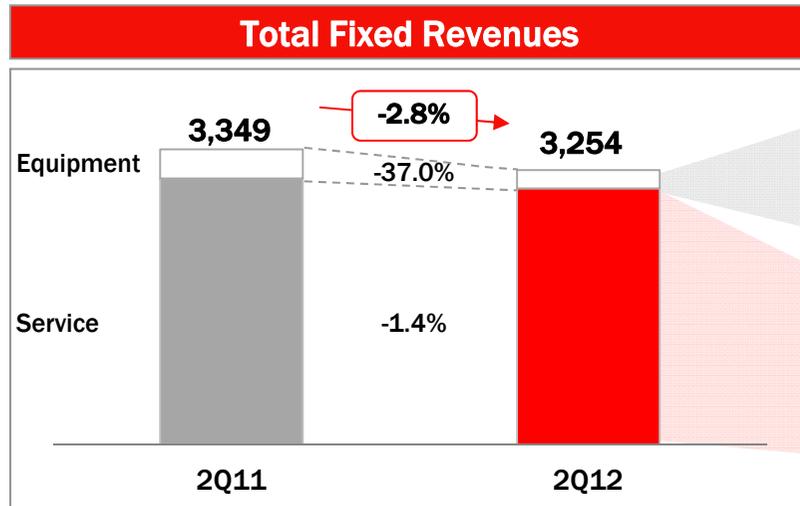


# Agenda

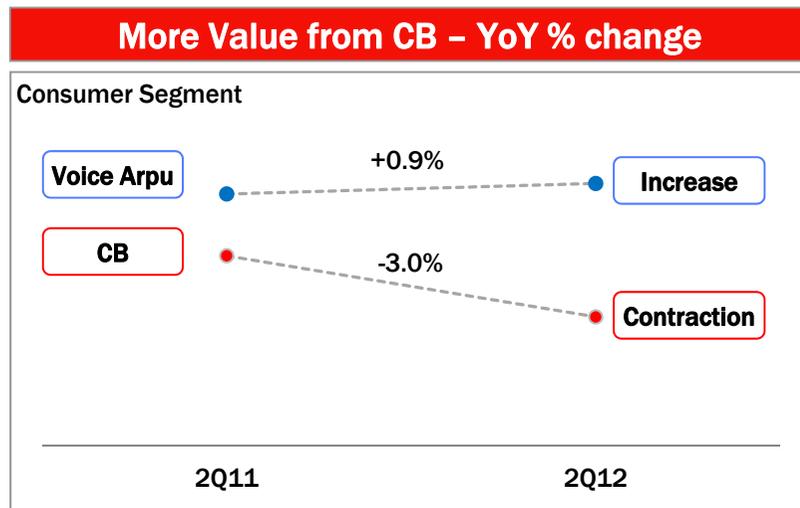
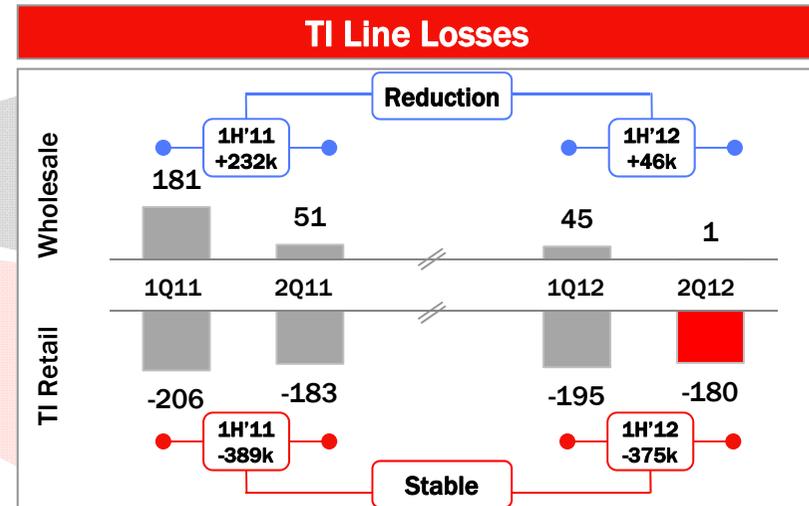
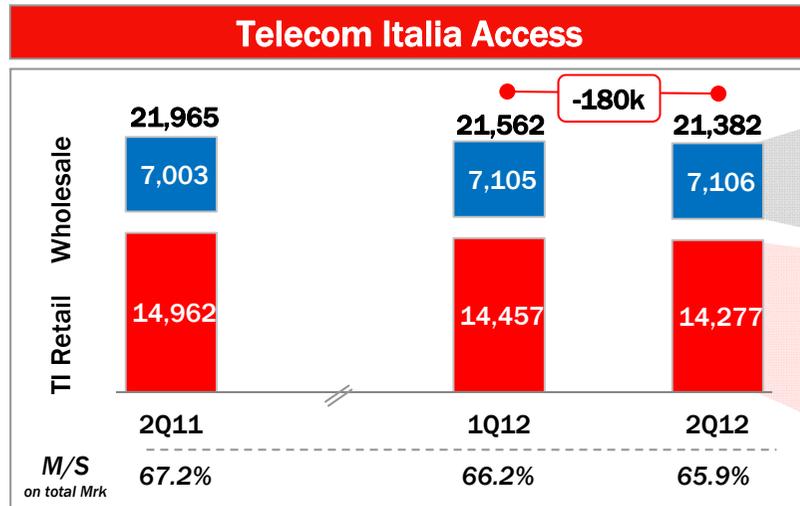
- ▶ Domestic 2Q12 Progress Report
- ▶ **Fixed Business**
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# Domestic Fixed: Revenue Dynamics

Euro mln, Organic Data, %

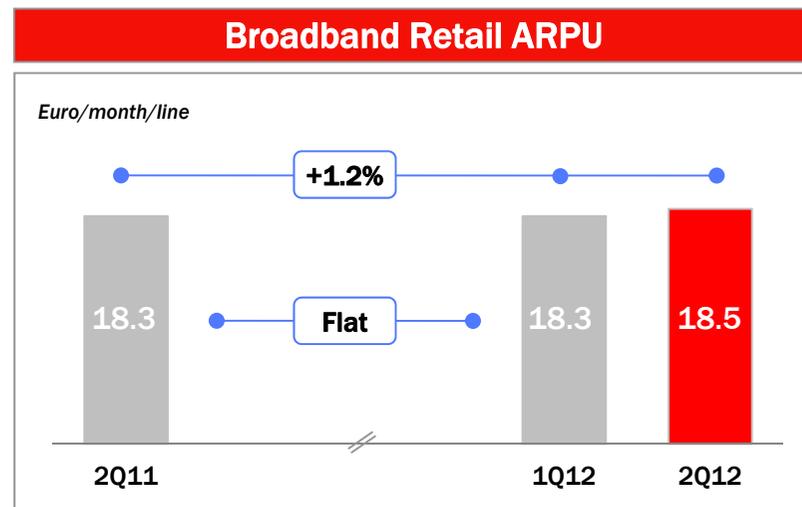
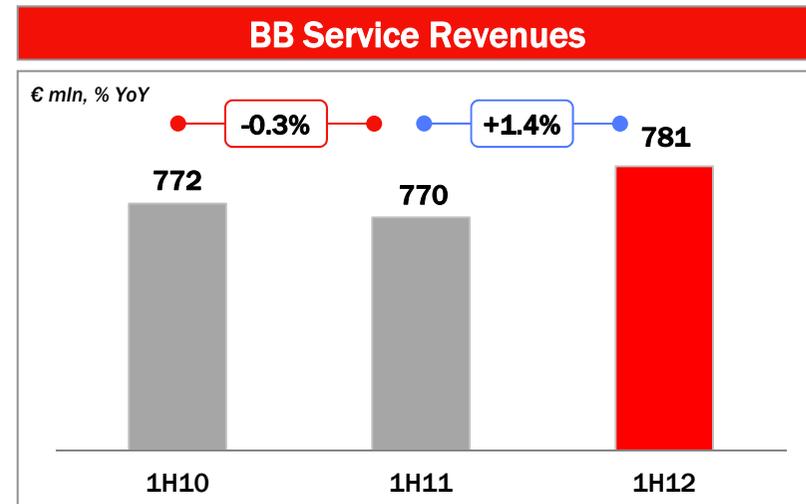
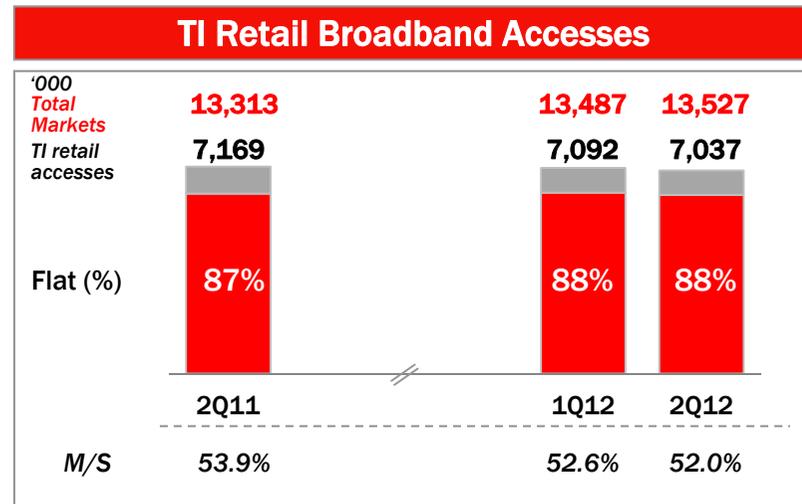


# Domestic Fixed: TI Access Performance



- ### Highlights
- ▶ Overall Italian Access Market erosion increased as a result of worsened economic environment affecting both building sector (new lines) and disconnections
  - ▶ Increased intra-OLO churn and improved TI-OLO balance
  - ▶ Positive effect on Consumer Segment ARPU due to concentration of line losses in low-end segment

## Domestic Fixed: Focus on Broadband



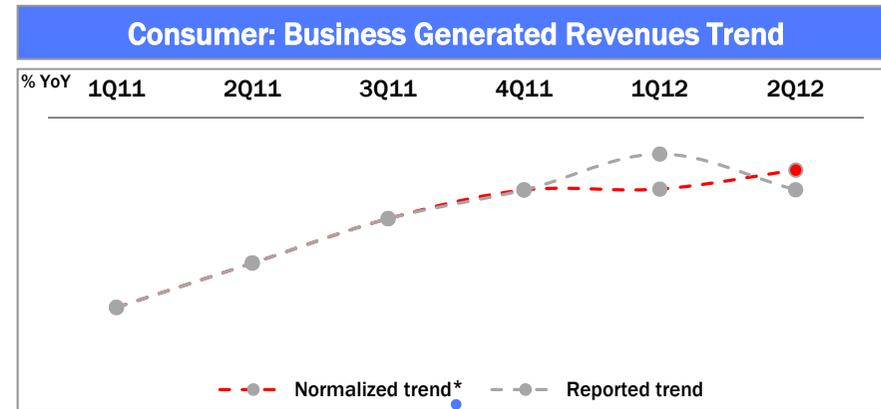
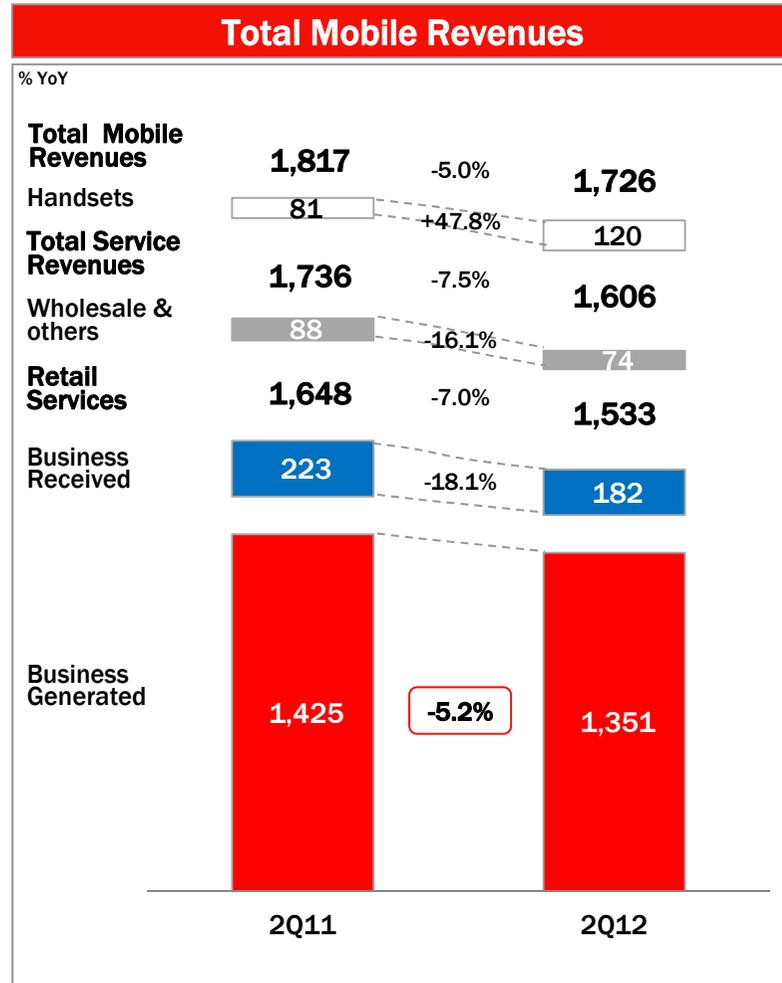
- ### Highlights
- ▶ OLOs aggressiveness still in place
  - ▶ TI's Value Strategy is paying-out:
    - ▶ Constant Growth in BB Service Revenues trend
    - ▶ ARPU increase on quarterly and yearly basis, while CB contraction involves essentially low-end clients
    - ▶ Successful evidence from SuperInternet proposition (~500K active clients), with a sound growth in acquisition trend and a high level of renewal rate

# Agenda

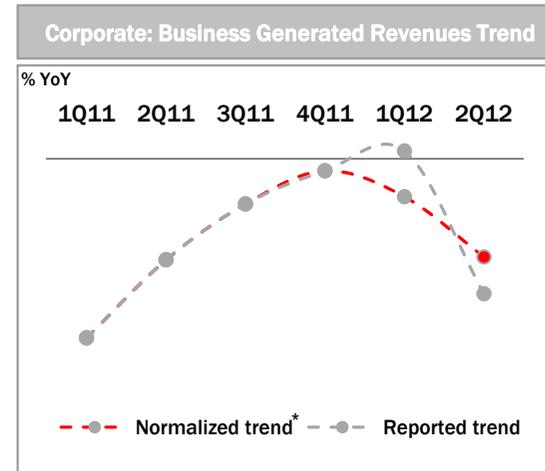
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# Mobile Revenues: 2Q12 Results at a Glance

Euro mln, Organic Data



**Positive Normalized Trend of previous quarters confirmed**

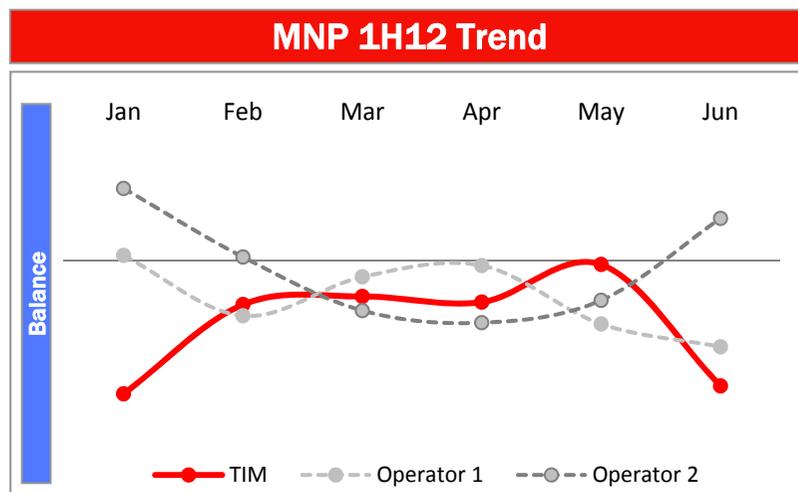
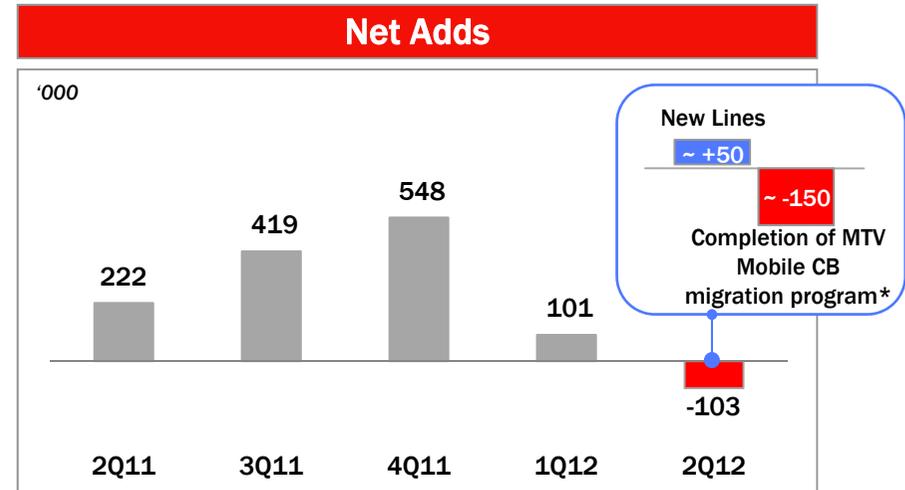
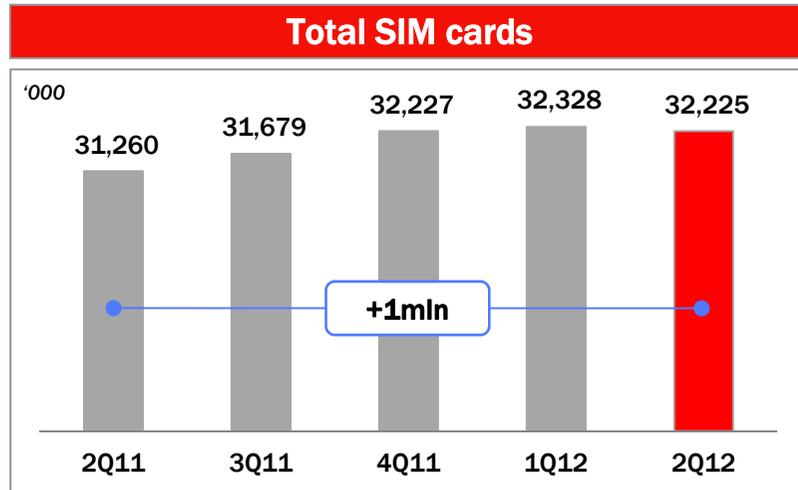


- Large Corporate**
  - ▶ Stable CB and M/S (~70%) despite aggressive competition
  - ▶ Contracts renewal drives lower prices
- Soho & SME**
  - ▶ Slight CB erosion due to economy
  - ▶ Price slightly down especially in SOHO

\* Normalized data for bad weather and calendar discontinuity

# Domestic Mobile: Customer Base Trend

Euro mln, Organic Data



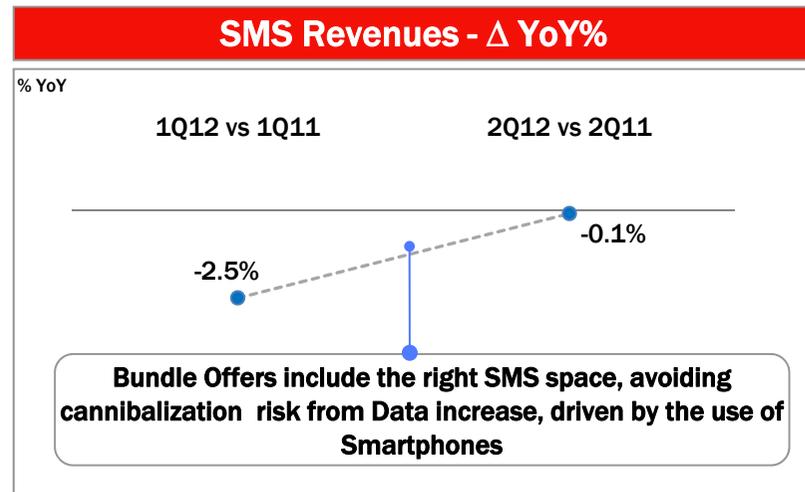
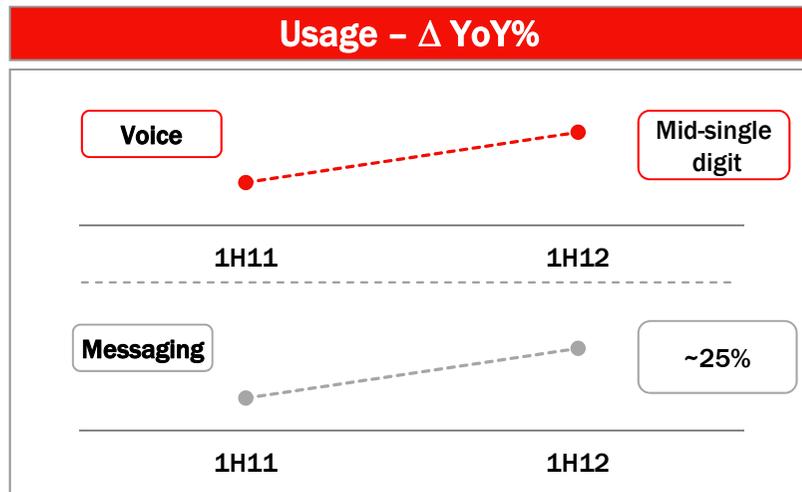
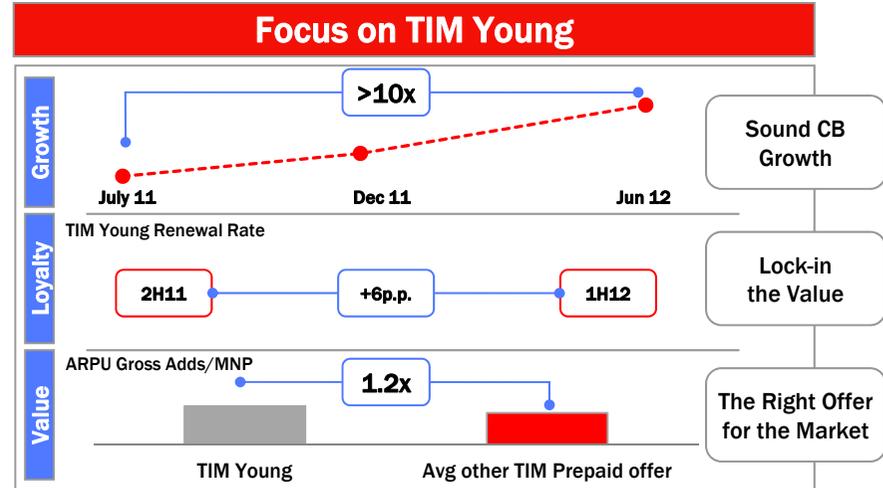
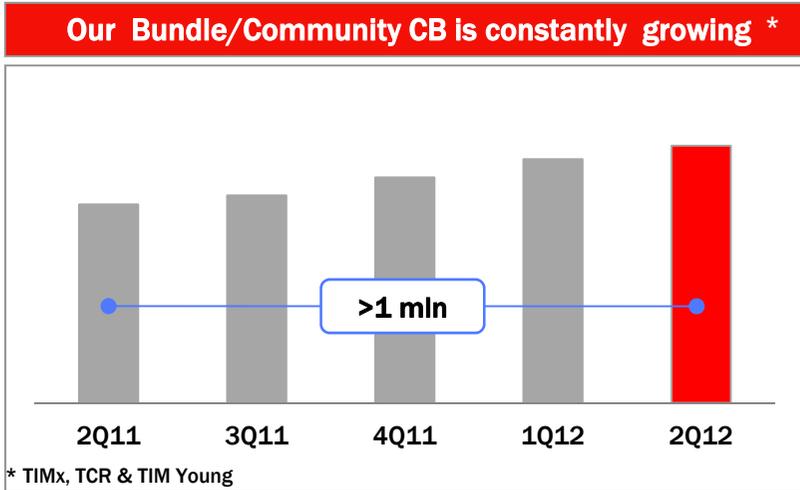
### Highlights

- ▶ In June, competitive pressure is increasing again, after a period of rational pricing behaviour
- ▶ Competitive dynamics shifted again versus MNP
- ▶ TIM's rational pricing attitude kept tariffs for MNP acquisitions stable since February 2012

\*following the termination of the MVNO agreement with MTV Mobile

# Domestic Mobile Consumer

## Traditional Services: Replacing Price-per-Minute with Bundles



# Domestic Mobile Consumer – Mobile BroadBand

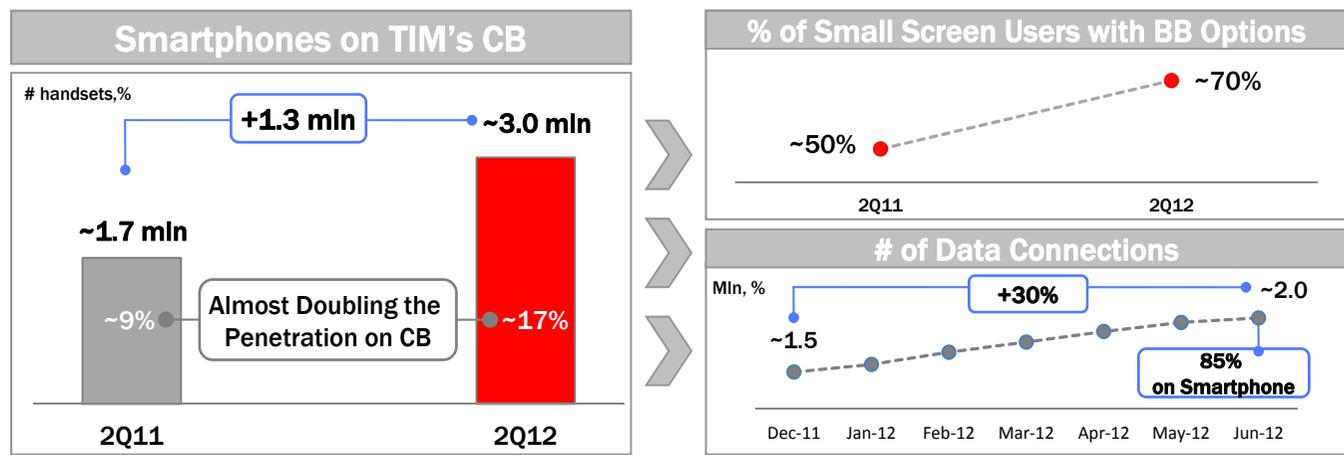
**The Mobile BB Context in Italy\***

**11.9 mln Small Screen Users**

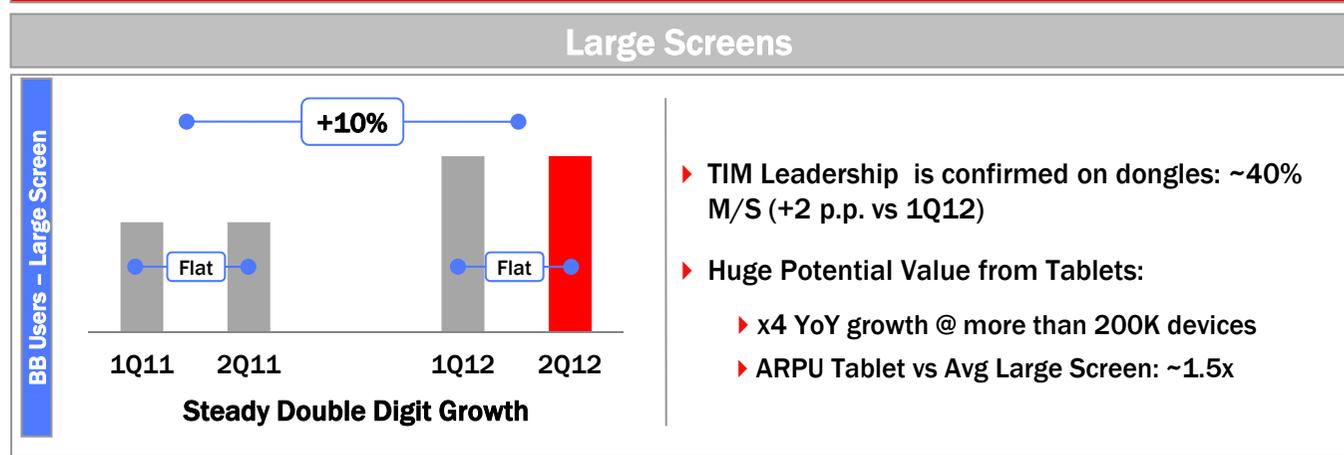
**7.4 mln both Small & Large Screens Users**

**11.9 mln Large Screen Users**

## Keeping the Growth



## Consolidating the Leadership



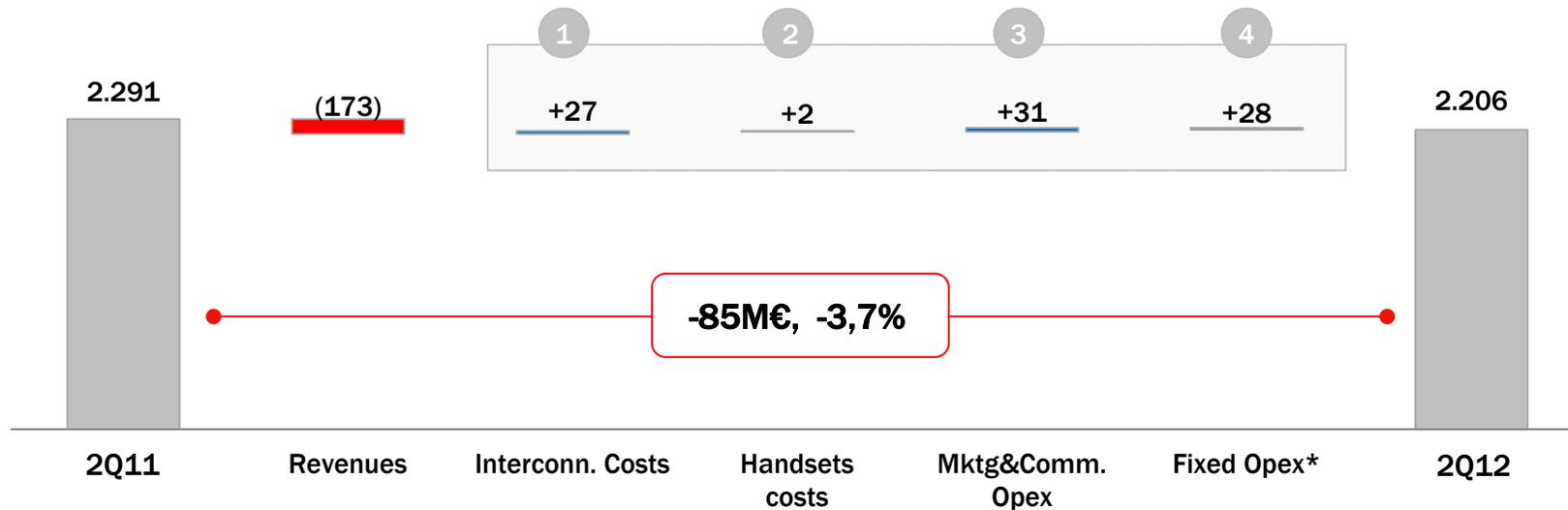
\*Source: Report Between, as of 1Q12

# Agenda

- ▶ Domestic 2Q11 Progress Report
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  - ▶ Mobile Business
- ▶ **Cash Cost Rationalization & Operating Model**
- ▶ Appendix

# Focus on 2Q12 Domestic EBITDA

Euro mln, Organic Data, %



<p><b>1</b></p> <ul style="list-style-type: none"> <li>• <b>Wholesale:</b> -38M€ mainly due to gross Voice revenues increase in Int'l Wholesale segment</li> <li>• <b>Retail:</b> +65M€ reflecting MTR cut impact</li> </ul>	<p><b>3</b></p> <ul style="list-style-type: none"> <li>• <b>Robust growth on Mobile Gross Adds</b> managed through Acquisition Costs Control</li> <li>• <b>Efficiency program on Fixed Commercial Costs</b> turned into yoy positive contribution to margins</li> </ul>
<p><b>2</b></p> <p>Push on <b>Mobile Smartphone</b> with limited impact on SAC/Subsidy</p>	<p><b>4</b></p> <p><b>Personnel Cost</b> reduction from lay-off program offsets the negative impact from market prices increase in energy and real estate**</p>

\* Industrial + Personnel + G&A = Fixed Opex

\*\* Energy unitary price (including taxation) and inflation adj (ISTAT), IMU on Real Estate

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- ▶ Domestic 2Q12 Progress Report
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# Domestic Wireline Revenues

Euro mln, Organic Data, %

	2Q11	2Q12	YoY %	1H12vs11 YoY %
<b>Total</b>	<b>3,349</b>	<b>3,254</b>	<b>(2.8)</b>	<b>(2.9)</b>
<b>Sparkle Group</b>	<b>332</b>	<b>362</b>	<b>9.0</b>	<b>8.9</b>
<b>Domestic Core Services</b>	<b>2,955</b>	<b>2,869</b>	<b>(2.9)</b>	<b>(3.0)</b>
<b>Voice &amp; Access</b>	<b>1,410</b>	<b>1,327</b>	<b>(5.9)</b>	<b>(5.2)</b>
<b>Internet</b>	<b>389</b>	<b>398</b>	<b>2.3</b>	<b>1.4</b>
<b>Business Data</b>	<b>300</b>	<b>288</b>	<b>(4.3)</b>	<b>(5.1)</b>
<b>National Wholesale</b>	<b>801</b>	<b>787</b>	<b>(1.8)</b>	<b>(1.4)</b>
<b>Other</b>	<b>51</b>	<b>64</b>	<b>n.m.</b>	<b>n.m.</b>
<b>Products</b>	<b>133</b>	<b>84</b>	<b>(37.0)</b>	<b>(37.6)</b>
<b>Elimination</b>	<b>(71)</b>	<b>(61)</b>	<b>n.m.</b>	<b>n.m.</b>

# Domestic Mobile Revenues

Euro mln, Organic Data, %

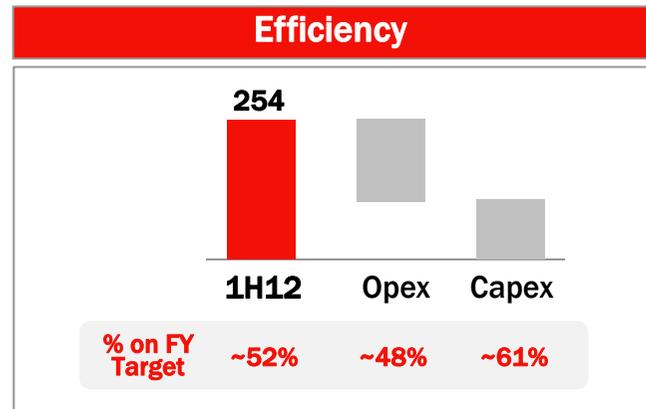
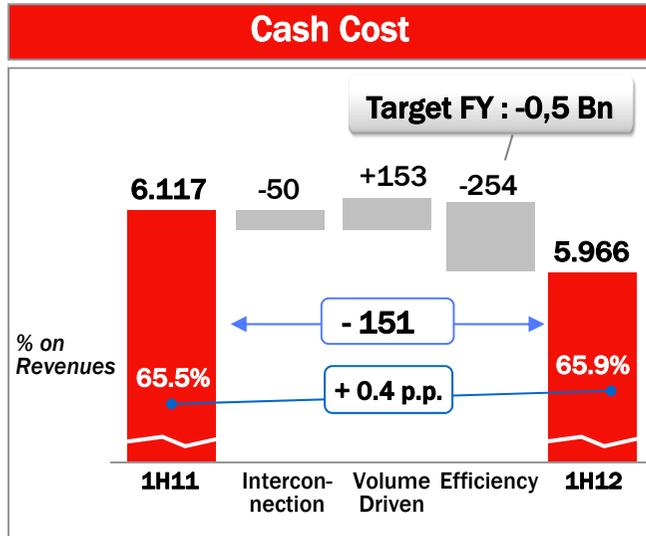
	2Q11	2Q12	Δ % YoY	1H12vs11 YoY %
<b>Total</b>	<b>1,817</b>	<b>1,726</b>	<b>(5.0)</b>	<b>(3.4)</b>
<b>Wholesale (*)</b>	<b>88</b>	<b>74</b>	<b>(16.1)</b>	<b>(16.7)</b>
<b>Retail</b>	<b>1,729</b>	<b>1,652</b>	<b>(4.4)</b>	<b>(2.8)</b>
<b>o/w Services</b>	<b>1,648</b>	<b>1,533</b>	<b>(7.0)</b>	<b>(5.1)</b>
<b>o/w Business Generated (**)</b>	<b>1,425</b>	<b>1,351</b>	<b>(5.2)</b>	<b>(3.2)</b>
<b>o/w Outgoing Voice</b>	<b>923</b>	<b>837</b>	<b>(9.3)</b>	<b>(7.6)</b>
<b>o/w VAS</b>	<b>502</b>	<b>514</b>	<b>2.3</b>	<b>4.9</b>
<b>o/w Incoming</b>	<b>223</b>	<b>182</b>	<b>(18.1)</b>	<b>(17.0)</b>
<b>o/w Handsets</b>	<b>81</b>	<b>119</b>	<b>46.8</b>	<b>54.9</b>

(\*) Including Visitors

(\*\*) Total Retail Services Revenues net of Incoming

# Progress on Domestic Efficiency Plan

Euro mln, Organic Data, %



### Delta Cash Cost 1H12 vs 1H11

	1H12	Δ Abs '12 vs '11
<b>Total Opex*</b>	<b>4.633</b>	<b>-132</b>
ITX	1.095	-50
Handset	405	+4
Mktg & Comm.	913	-71
Industrial	507	+49
G&A & Other	241	-2
Personnel	1.472	-62
<b>Total Capex</b>	<b>1.333</b>	<b>-19</b>
<b>Total Cash Cost</b>	<b>5.966</b>	<b>-151</b>

Fixed Opex -15

\* Mktg&Comm.+Industrial+G&A & others

### FY12 Trend

Euro Bln, Organic Data

