

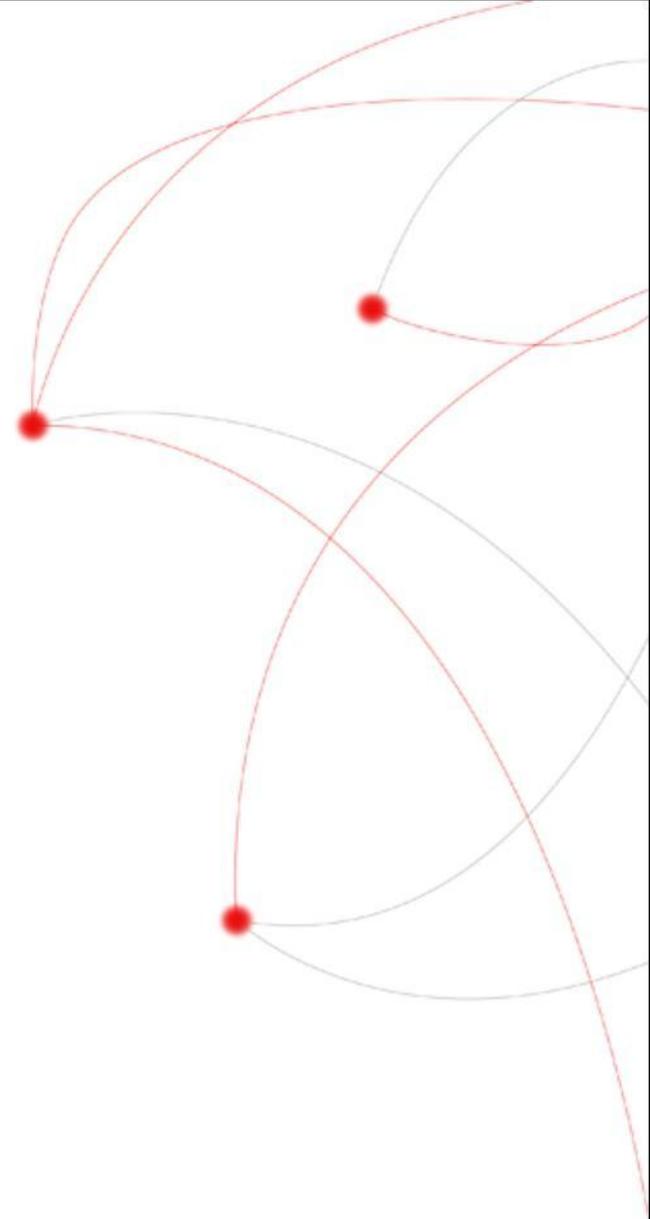
TELECOM ITALIA GROUP

## **1H 2013 Results**

Milan, August 2<sup>nd</sup>, 2013

# **Telecom Italia 1H 2013 Results**

PIERGIORGIO PELUSO



## Safe Harbour

These presentations contain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this presentation and include statements regarding the intent, belief or current expectations of 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.

Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those projected or implied in the forward looking statements as a result of various factors. Consequently, Telecom Italia S.p.A. makes no representation, whether expressed or implied, as to the conformity of the actual results with those projected in the forward looking statements.

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The accounting policies and consolidation principles adopted in the preparation of the Half-year Condensed Consolidated Financial Statement at 30 June 2013 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2012, to which reference can be made, except for the new standards and interpretations adopted by the Group, which, other than for the prospective adoption of IFRS 13 ( Fair Value measurement), didn't impact on the Half-year Condensed Consolidated Financial Statements at 30 June 2013.

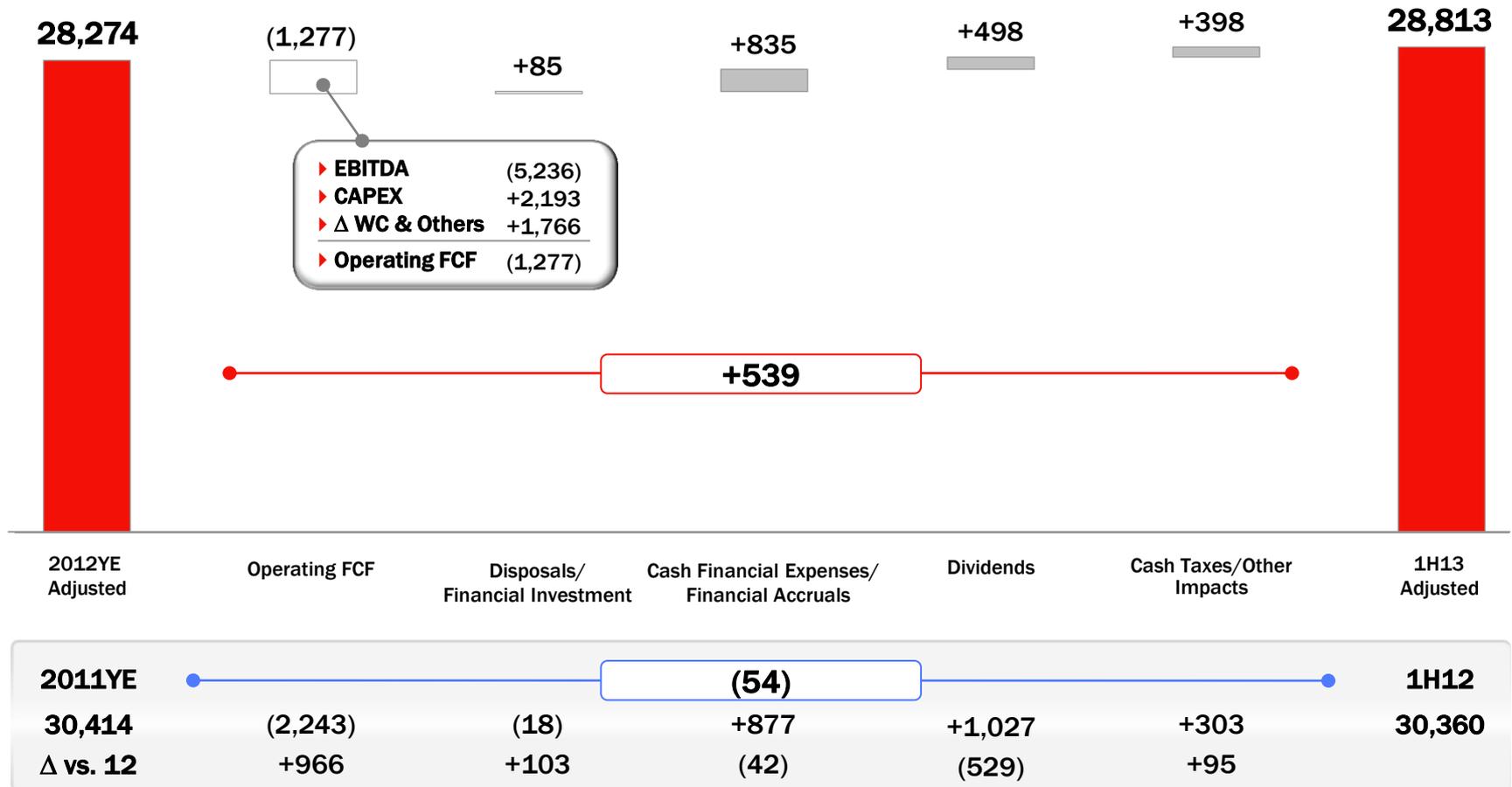
Some data for the first quarter 2012, used in comparisons, included into this presentation have been restated as a result of the early adoption, starting from the first half 2012, of the revised version of IAS 19 (Employee Benefits) and the reclassification of Matrix (company that was disposed of on October 31, 2012) from the Business Unit Domestic-Core Domestic to the Business Unit Other Activities.

# Agenda

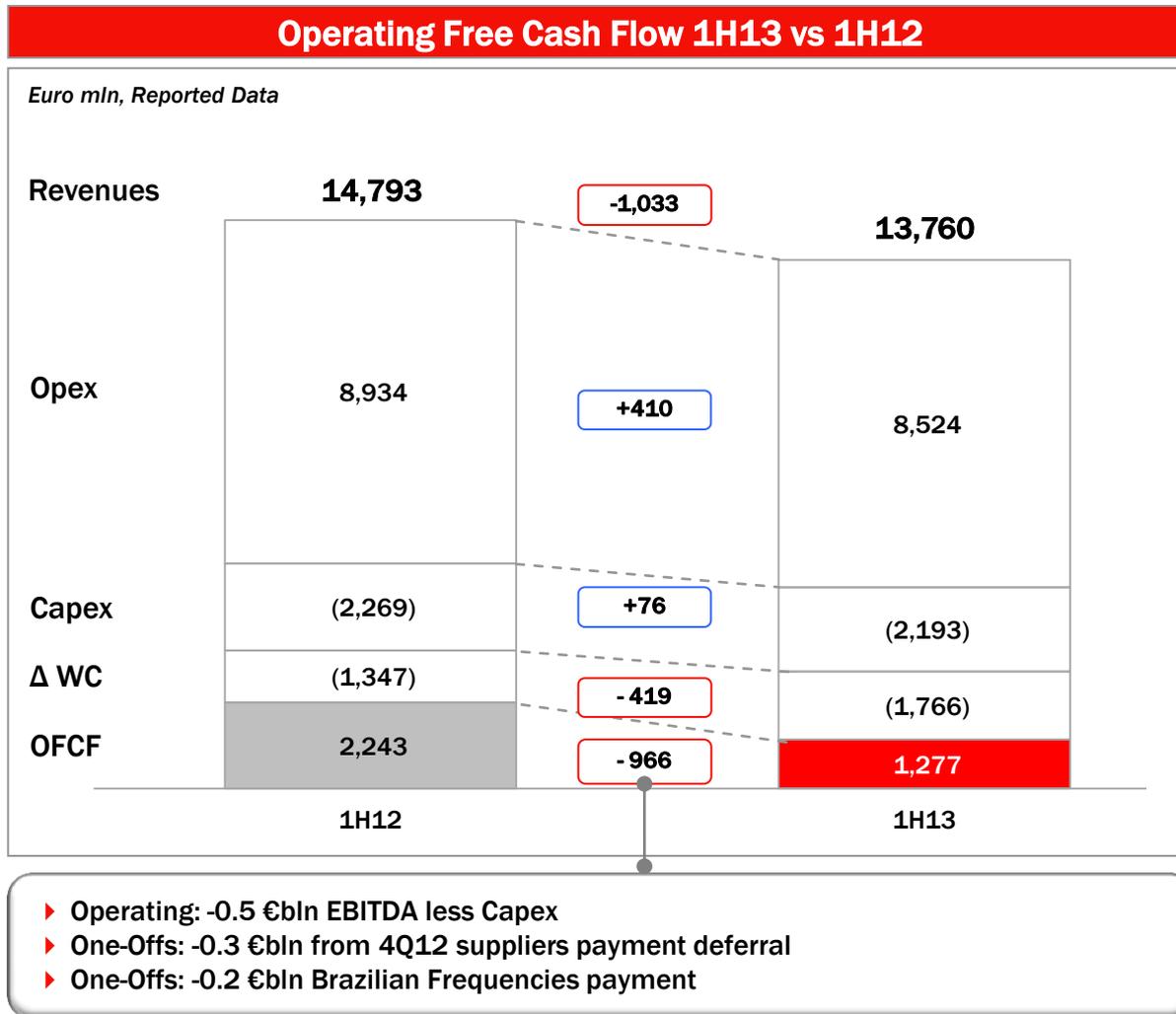
- ▶ **1H13 Net Debt and OFCF**
- ▶ **FY13 Net Debt Target confirmed through additional Debt Reduction Actions**
- ▶ **Backup**

# 1H13 Net Debt Evolution

Euro mln, Reported Data



# 1H13 Operating Free Cash Flow Dynamics

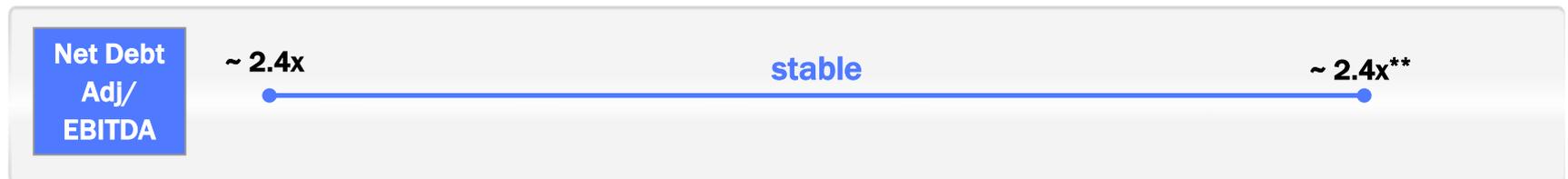
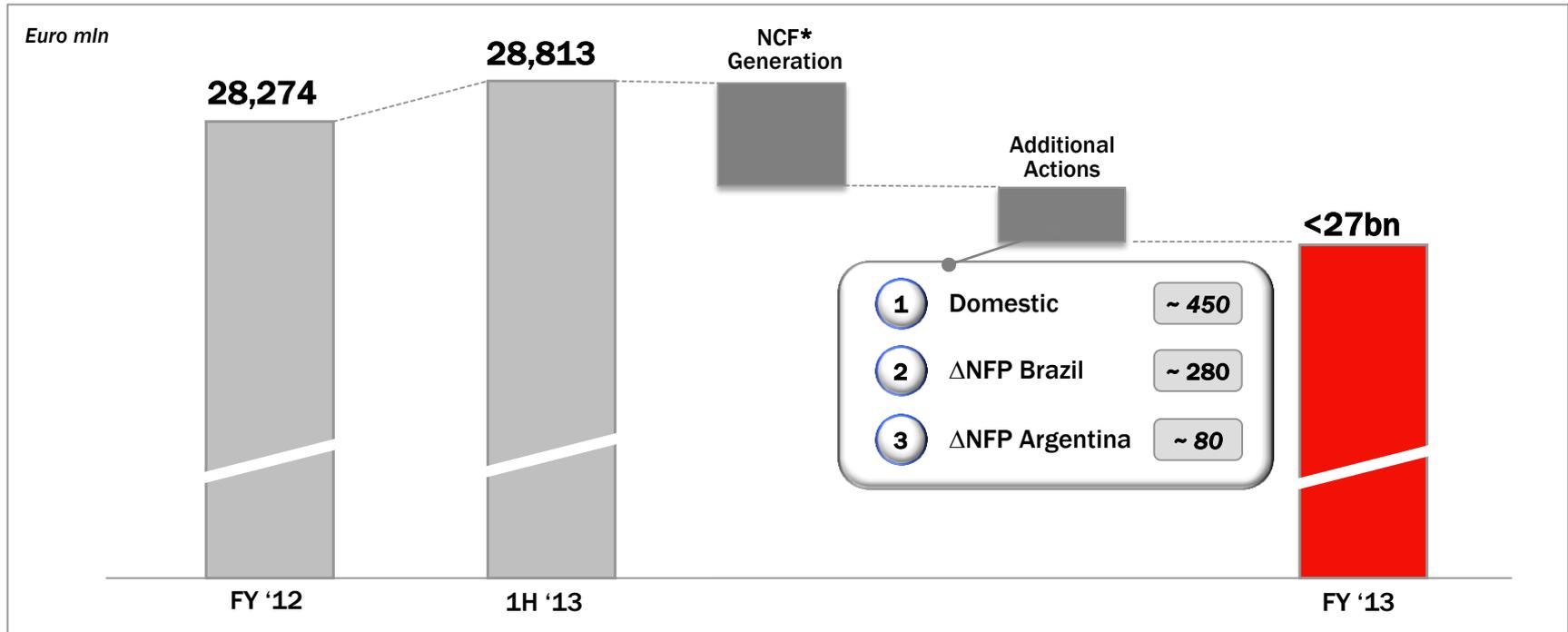


# Agenda

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# 2013 Debt Target and Net Debt / EBITDA YoY Stability Ensured

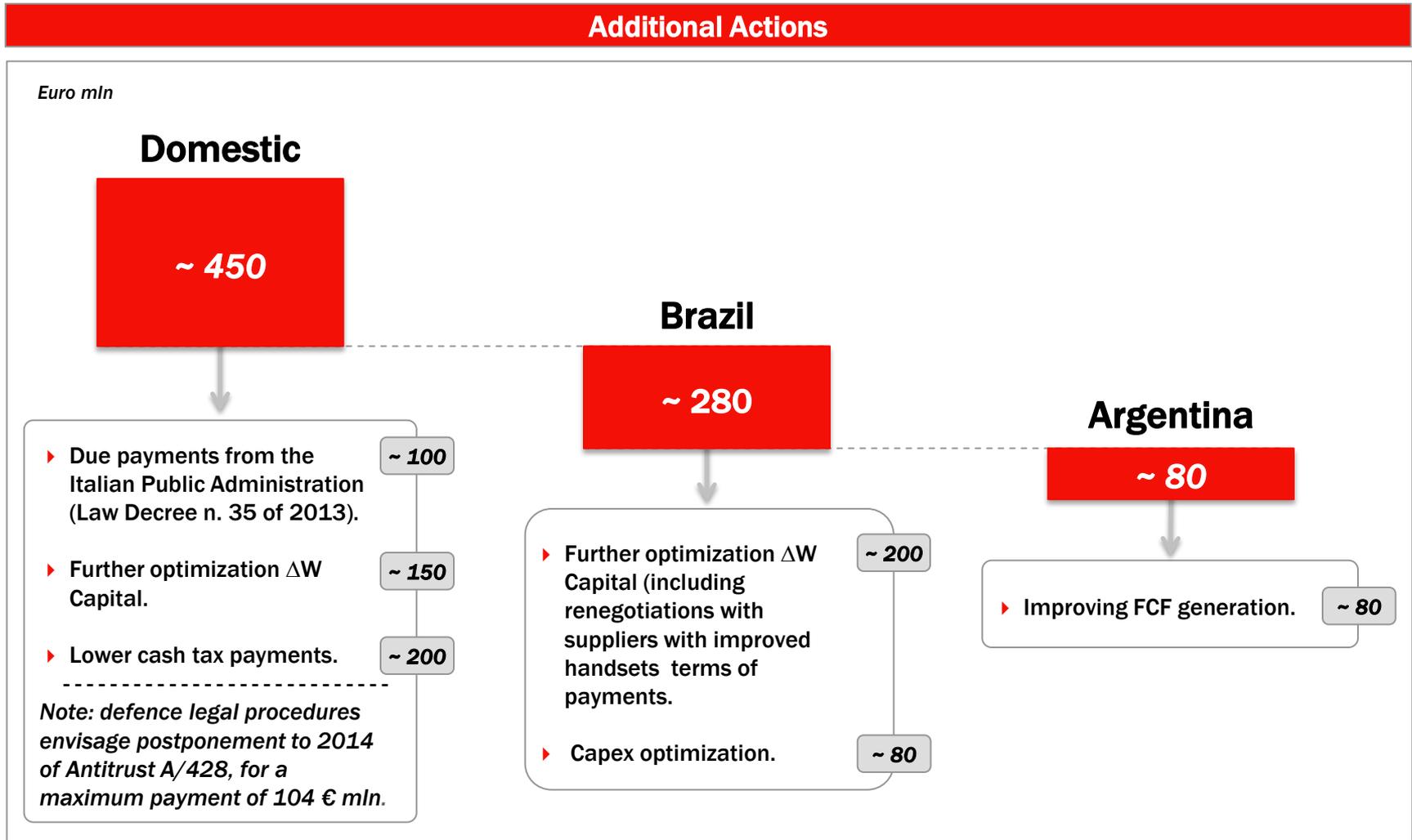
## Balance to FY13 Adjusted Net Debt target



\* 2H12 NCF Generation was Euro 2.1bn

\*\* Includes contribution of further non-organic actions

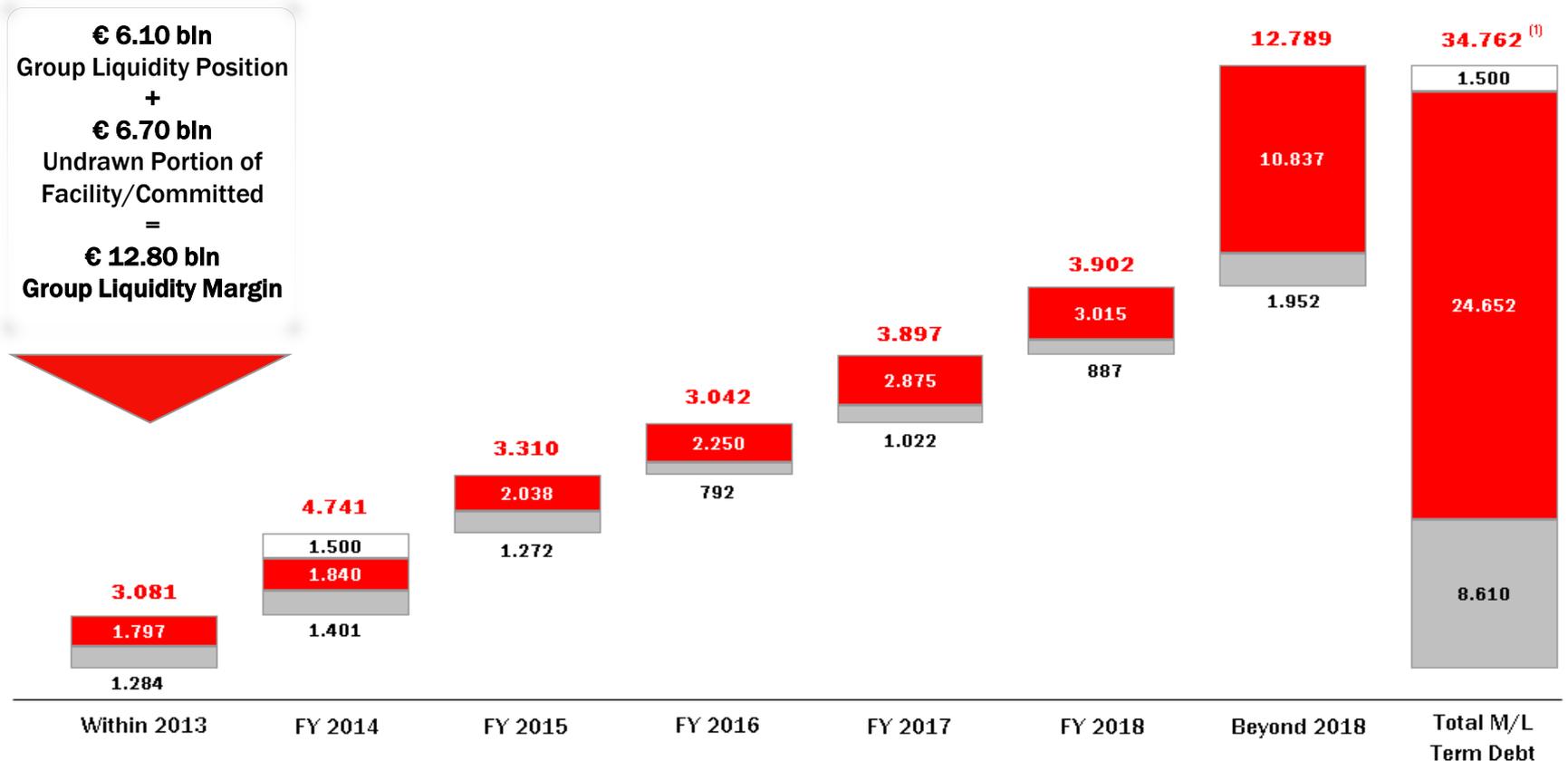
# Focus on Additional Debt Reduction Actions for ~ Euro 800mln



# Robust Liquidity Margin and Well-Distributed Debt Maturities

Euro mln

Bonds
  Loans (of which long-term rent, financial and operating lease payable € 1.271)
  Drawn bank facility



(1) € 34.762 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 598 mln) and current liabilities (€ 647 mln), the gross debt figure of € 36.007 mln is reached.

N.B. Debt maturities are net of € 2.062 mln (face value) of repurchased (€ 1.206 in the 2013) own bonds (of which € 1.362 mln related to bonds due in the next 24 months).

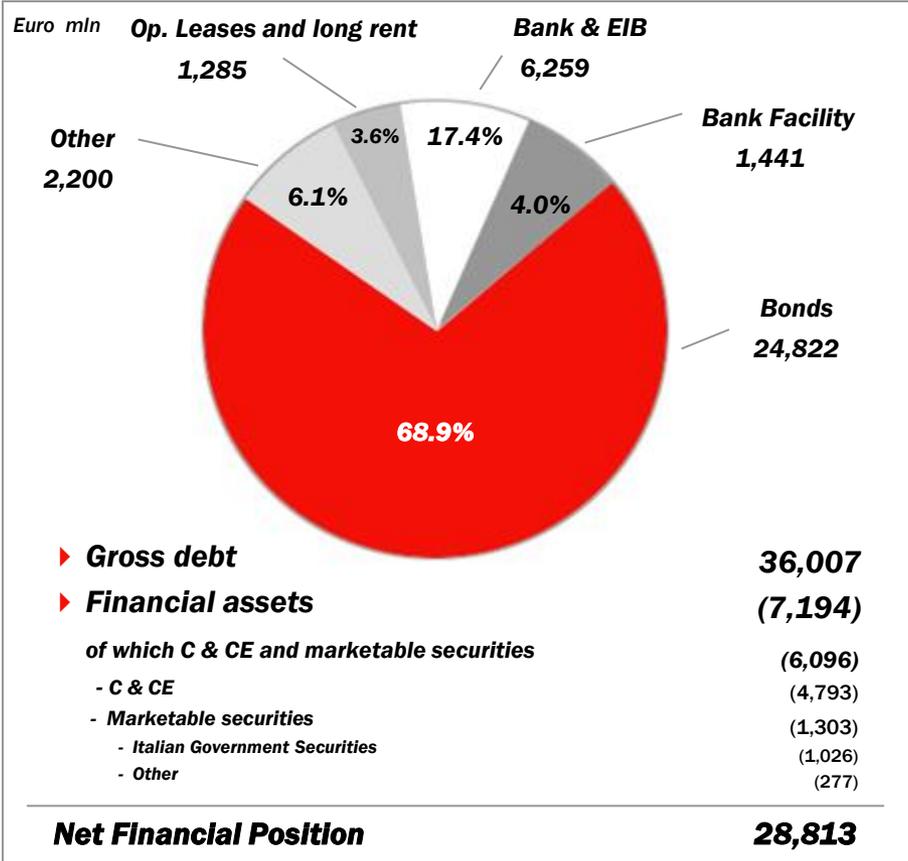
# Agenda

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# Well Diversified and Hedged Debt

**Total Gross Debt Net of Adjustment: Euro 36,007 mln**

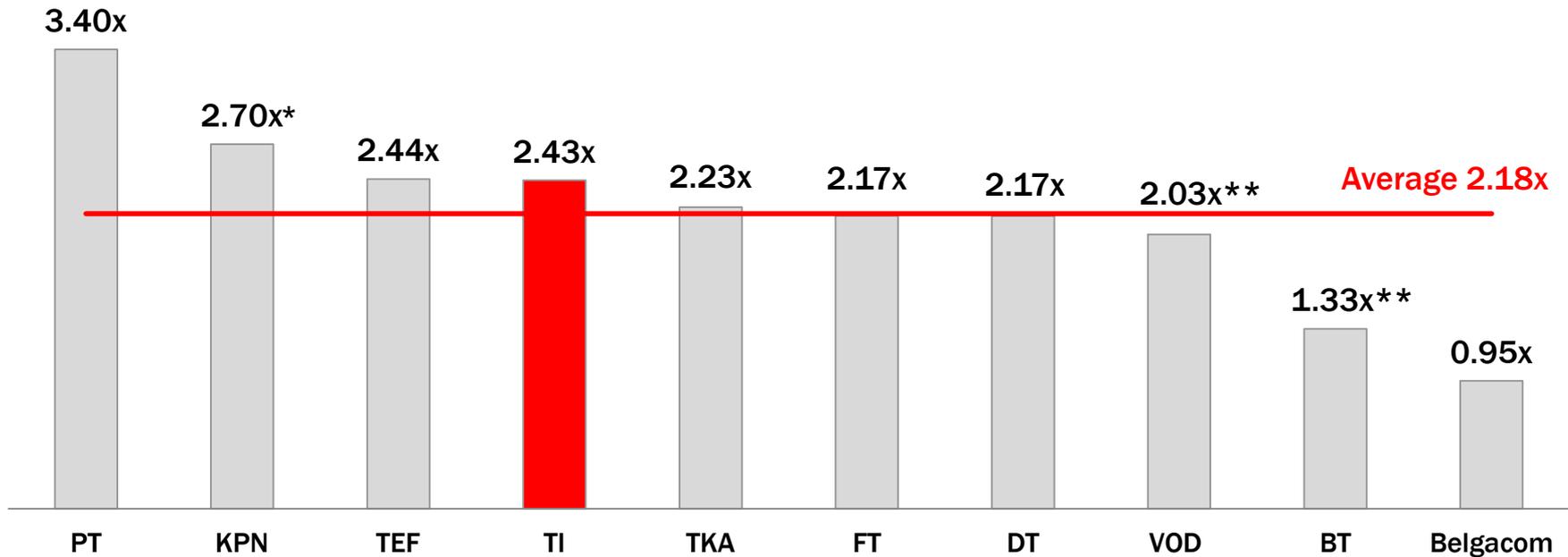
## Maturities and Risk Management



- ▶ Average debt maturity: 7.03 years (bond only 8.13 years).
  - ▶ Fixed rate portion on gross debt approximately 71.6%.
  - ▶ Around 49% of outstanding bonds (nominal amount) is denominated in USD, GBP and YEN and is fully hedged.
- 
- Cost of debt: ~5.4%**

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 1,959 €/mln (of which 538 €/mln on bonds)  
 - the impact on Financial Assets is equal to 986 €/mln  
 Therefore, the Net Financial Indebtedness is adjusted by 973 €/mln.

## Net Debt /EBITDA YE12 Sector Benchmarking Reported Data



Source: Company data, Credit Suisse.

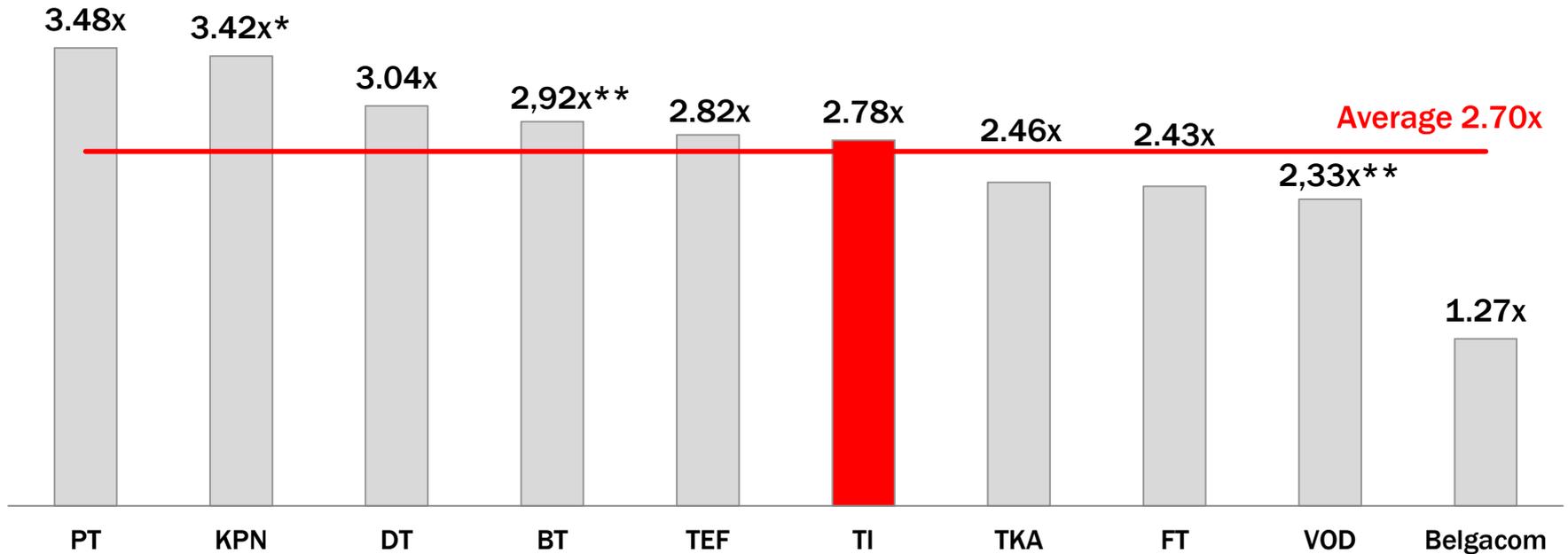
Net Debt adj. per fair value mark-to-market of edging derivatives; EBITDA expressed on a reported basis.

Ratios are indicated on an homogeneous basis; some operators use specific methods which cause differences (i.e., info from TEF, calculated on OIBDA underlying, is equal 2.36x).

\*KPN: Info pre capital increase.

\*\* BT and VOD net debt/EBITDA is calculated as of March 2013

# Net Debt /EBITDA YE12 Sector Benchmarking As Adjusted per Moody's Methodology



\*KPN: Info pre capital increase.

\*\* BT and VOD net debt/EBITDA is calculated as of March 2013