**TELECOM ITALIA GROUP** 

Full-Year 2012 Preliminary Results and 2013-15 Plan Outline

February 8th, 2013

**Telecom Italia Group**Full-Year 2012 Preliminary Results and 2013-15
Plan Outline

FRANCO BERNABE' - 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 statement.

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.

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**

- **▶ TI Group 2012 Preliminary Results**
- **▶** Telecom Italia Plan Key Actions
- **▶** Financial Evolution
- Appendix



## **Full Year 2012 in Line with Group Targets**

Organic Data

Top Line Growth despite Tough Macro and Competition

Considerable Investments supported by Robust Margin

Ongoing Financial Discipline

Group Revenues: 29.5 bln € (+0.5% YoY)

**Ebitda: 11.9 bln € (-2.0% YoY)** 

**Ebitda Margin: 40.2% (-1.0 p.p. YoY)** 

**Capex: 5.0 bln € (+281 mln € YoY)** 

**Domestic: +110 mln €** 

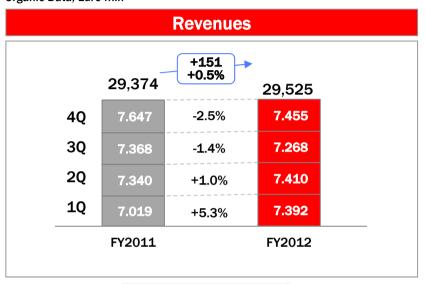
LatAm: +164 mln €

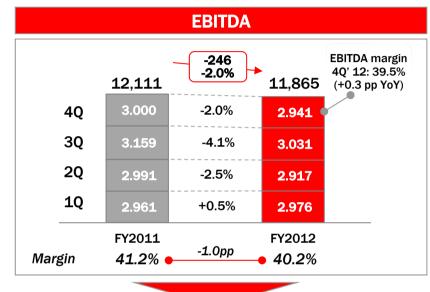
EBITDA-Capex: 6.8 bln € (-7.2% YoY, +6.5% YoY on a reported basis, mainly due to LTE spectrum in 2011)

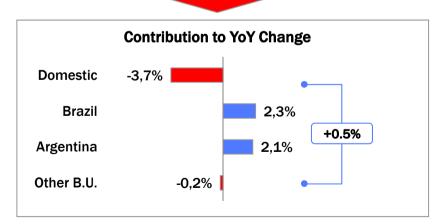
NFP Adj.: 28.27 bln € at YE12 (-2.1 bln € YoY)

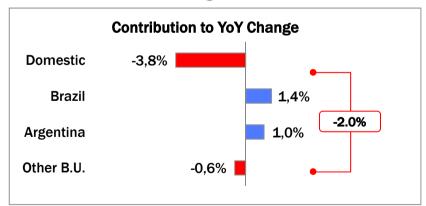
## **TI Group 2012 Revenues and Ebitda by Quarters**

Organic Data, Euro mIn











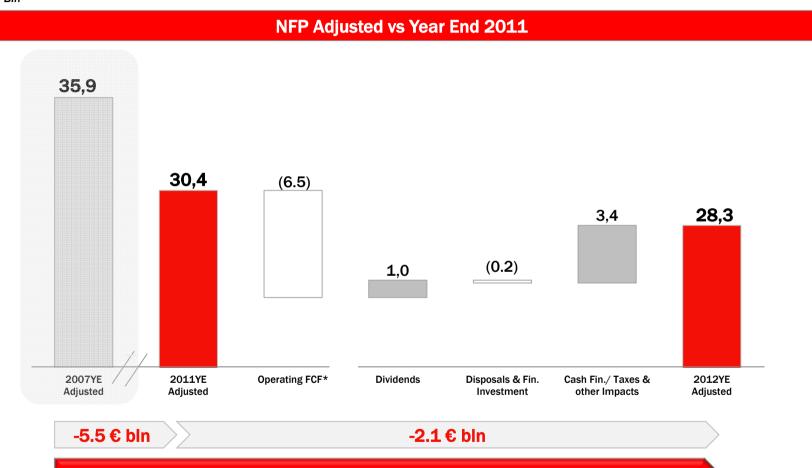
# **Combining High Profitability with Growth**

1	Euro mln, Organic D	ata					
Weight in TI Group	TI G	roup	Domestic		Lat/	LatAm	
	FY 2012	∆% yoy	FY 2012	∆% yoy	FY 2012	∆% yoy	
Revenues	29,525	+0.5%	17,906	-5.8%	11,261	+12.9%	38%
EBITDA	11,865	-2.0%	8,829	-4.9%	3,153	+9.9%	279
EBITDA margin	40.2%	- <b>1</b> .0pp	49.3%	+0.4pp	28.0%	-0.8рр	
EBITDA - Capex	6,820	-7.2%	5,757	-9.0%	1,247	+10.5%	189
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### **Net Financial Debt Evolution**

Euro Bin







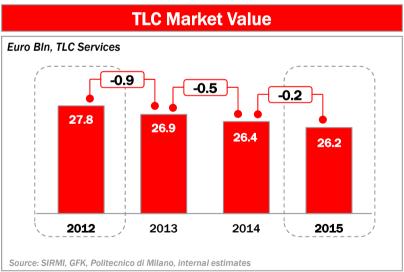
## **Agenda**

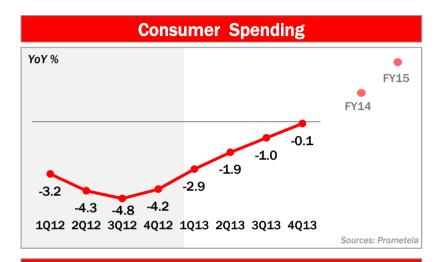
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- **▶** Financial Evolution
- Appendix

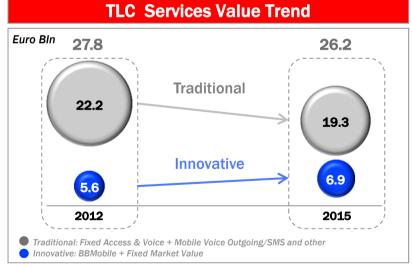


### **Key Economic and Industry Trends - Italy**



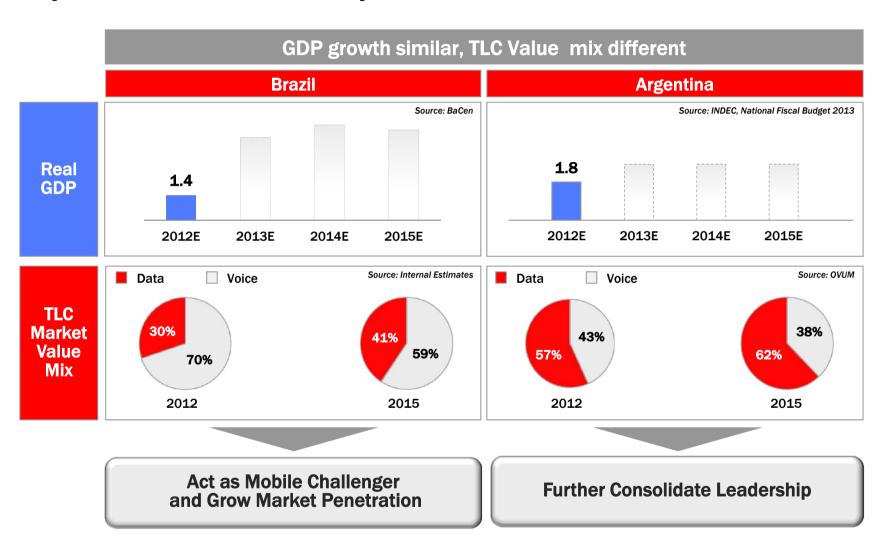








## **Key Economic and Industry Trends - LatAm**





### **2013-15**: Pervasive Innovation in all Countries & Services

### **Technology is the Main Enabler**

Italy:	Brazil:	Argentina:
Leveraging on our Unique Infrastructure	Further opportunities in the 4 <sup>th</sup> largest Mobile Market	Enhance our Revenue Leadership
<ul> <li>Stabilize Revenues</li> <li>Defend Market Share on Traditional through Quality of Service</li> <li>Grow on Innovative Services leveraging on both Access and Applications Services</li> <li>Encompass Regulatory and Technology Developments in UBB Plans</li> </ul>	<ul> <li>Expand Customer Base through FMS</li> <li>Pursue High Potential in Mobile BB Penetration</li> <li>Continue Network Evolution</li> <li>Capture Data Wave, while Optimizing Capex</li> </ul>	<ul> <li>Further Build on our Market Share and our Fixed and Mobile Platforms</li> <li>Enlarge Network Capacity</li> <li>Support Premium Position on Mobile to boost BB Revenues</li> <li>Fully Grasp the High Data Demand of the Country</li> </ul>

**Upgrade Network Capex for Growing Data Demand** 



### **Domestic UBB Plan: Reshape the Value of Access**

#### **Beyond-connectivity**

- Over The Telco Services
- Digital Inclusion & Diffusion

Web & Cloud

#### **Over the Network Services** Remote Computing Rich Communication M2M NFC & M-Payments Video Conferencing Digital Identity Big data / Personal Data Digital Home Surveillance Home Office Multi-room HD/4K TV **New SW based** Low latency for gaming services Cloud

#### **Network**

- ▶ Deploy Fiber & LTE
- Continue leveraging on latest Copper
   Technologies
- Convergent Approach

**UBB & IP** 

#### **2015** Fixed and Mobile UBB Targets

#### **NGAN**

- ~35% of households connectable\* at > 30MBs
- Cover largest 125 Cities + main Industrial Districts

#### **LTE**

- NGAN Footprint, maintaining Leading Mobile UBB Coverage and Capacity
- NGAN Cities + other Areas (including Prime Tourist locations and Auction requirements)
- Leverage LTE characteristics (latency, etc)

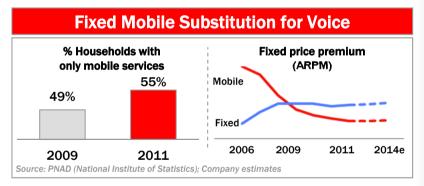
\* Passed + Light Cabinet deployed

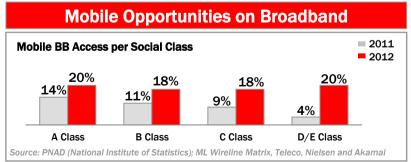


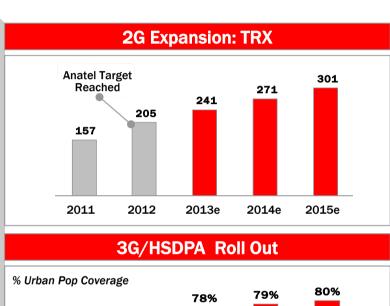
#### Full-Year 2012 Preliminary Results and 2013-15 Plan Outline

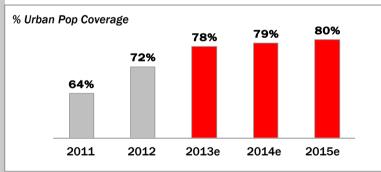
## Mobile 2G/3G/4G in Brasil

#### **Brazil: 2015 Targets Lead the Internet Wave** VAS Customer MoU HH ready Base Revenues to sell >90 MIn >200 min ~2MIn >26% **FMS** Tim Fiber Community Internet for Expansion (Voice) everybody Ultra BB



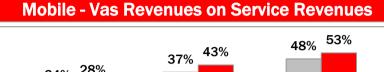


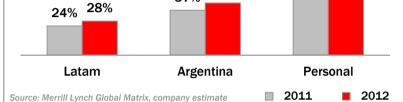




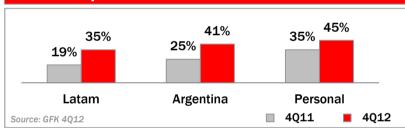


### **Argentina: Retain Leadership**

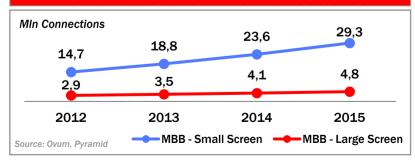


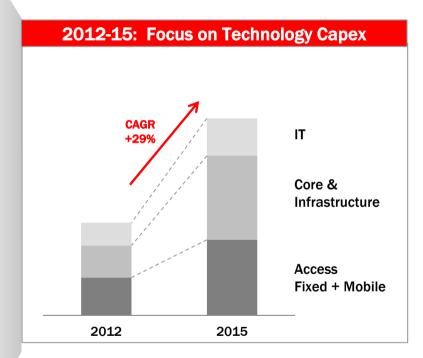


#### Smartphone sell out: LatAm best in class



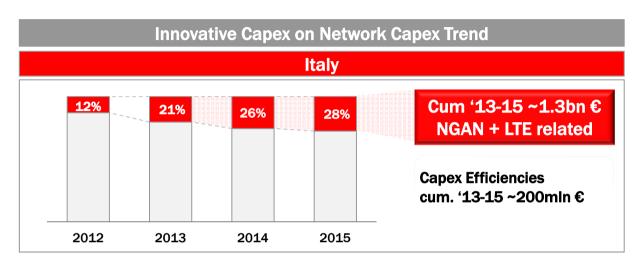
#### **Mobile Broadband - TLC market trends**

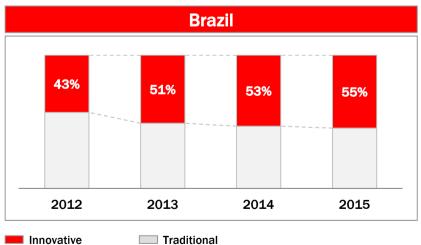


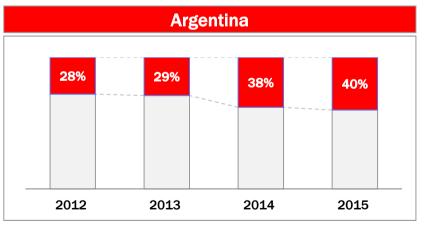




### **Increase Fixed and Mobile UBB Investments**









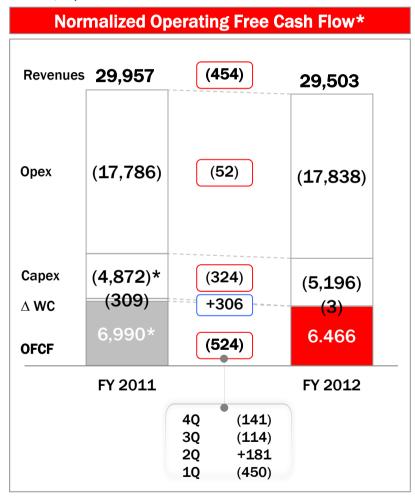
## **Agenda**

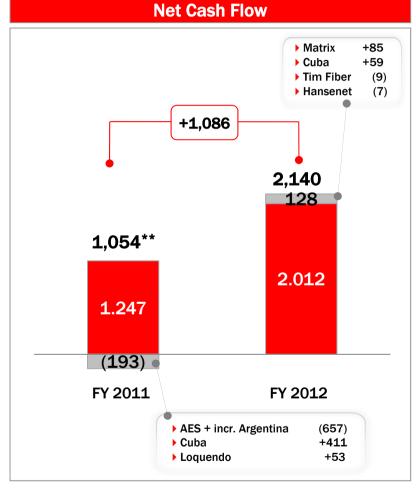
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## **Telecom Italia Today: a Strong Cash Generator**

Euro mln, Reported Data



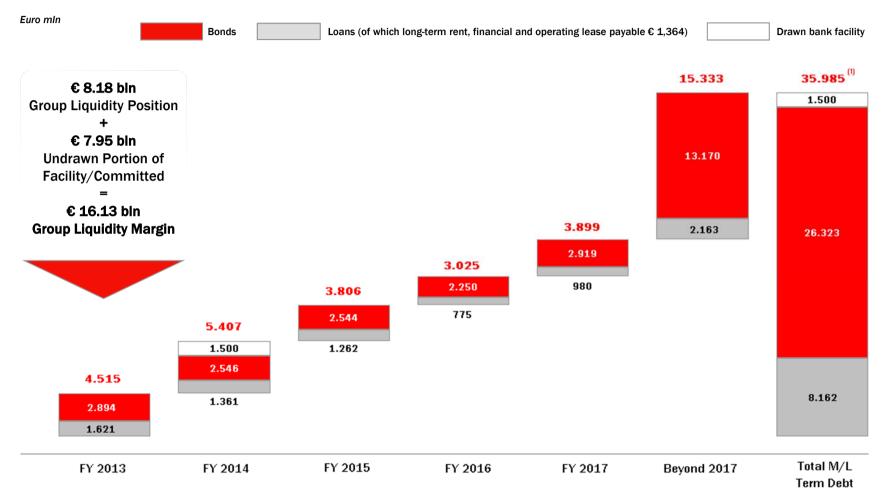


<sup>\*</sup>excluding 2011 LTE licence (1,223mln €) \*\* including 2011 LTE licence (1,223mln €)



#### Full-Year 2012 Preliminary Results and 2013-15 Plan Outline

### **Current Debt Profile**



(1) € 35.985 mln is the nominal amount of outstanding medium-long term debt by adding IAS adjustments (€ 1.054 mln) and current liabilities (€ 643 mln), the gross debt figure of € 37.681 mln is reached.

N.B. Debt maturities are net of € 1.246 mln (face value) of repurchased own bonds (of which € 1.031 mln related to bonds due in the next 24 months).



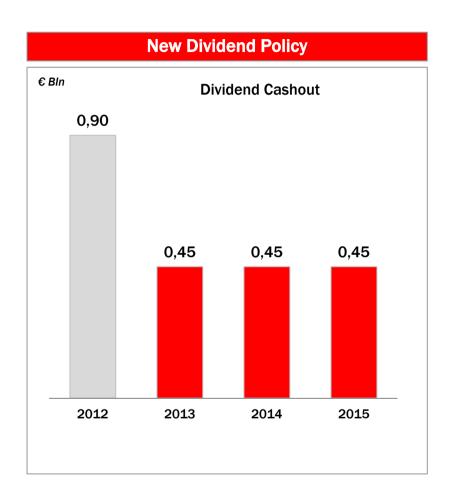
### **Broaden Efficiency Plan**

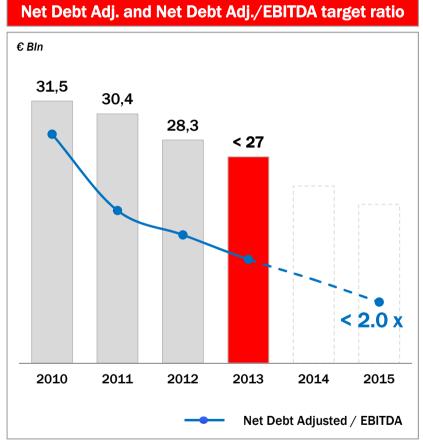
### **Customer Care Operations Integration of Business & ToP Clients BUs Further Cost Efficiencies in Italy** Real Estate, Energy & Industrial **Capex Efficiencies and Optimisation** One Single Network **Leased Lines Opex Reduction** Brazil **Proprietary Fiber Metro Network for Backhauling Implement** 4G RAN Infrastructure Sharing **Efficiencies** also in Latam **Leveraging F-M Integrated Network Extending Backhauling to Reduce ITX Costs Argentina** A More Efficient Spectrum Allocation



**Further Capex Optimisation** 

# **Continuing Deleveraging the Company**







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#### Full-Year 2012 Preliminary Results and 2013-15 Plan Outline

# **TI Group - Main Results by BU - Reported Figures**

Euro min		9M Rep	oorted	
REVENUES	Actual 2012	Actual 2011	∆ Abs	Δ%
Domestic	13,413	14,069	-656	(4.7)
Wireline Domestic	9,604	10,002	-398	(4.0)
Tim Domestic	4,960	5, 286	-326	(6.2)
Brazil	5,595	5,395	200	3.7
Argentina	2,804	2,324	480	20.7
Media	161	170	-9	(5.3)
Olivetti	185	226	-41	(18.1)
Other Activities & Elim.	-97	-125	28	-
Tl Group	22,061	22,059	2	0.0

IV Quarter Reported						
Actual 2012	Actual 2011	∆ Abs	Δ%			
4,471	4,922	-451	(9.2)			
3,185	3,487	-302	(8.7)			
1,655	1,828	-173	(9.5)			
1,882	1,948	-66	(3.4)			
980	896	84	9.4			
61	68	-7	(10.3)			
95	117	-22	(18.8)			
-47	-53	6	-			
7,442	7,898	-456	(5.8)			

Full Year Reported					
Actual 2012	Actual <b>2011</b>	∆ Abs	Δ%		
17,844	18,991	-1,107	(5.8)		
12,789	13,489	-700	(5.2)		
6,615	7,114	-499	(7.0)		
7,477	7,343	134	1.8		
3,784	3.220	564	17.5		
222	238	-16	(6.7)		
280	343	-63	(18.4)		
-144	-178	34	-		
29,503	29,957	-454	(1.5)		

		9M Re	ported	
EBITDA	Actual 2012	Actual 2011	∆ Abs	Δ%
Domestic	6,696	6,953	-257	(3.7)
Brazil	1,460	1,444	16	1.1
Argentina	825	759	66	8.7
Media	-26	27	-53	-
Olivetti	-58	-37	-21	(56.8)
Other Activities & Elim.	-37	-9	-28	-
TI Group	8,860	9,137	-277	(3.0)
EBITDA MARGIN	40.2%	41.4%	-1,2 pp	

	V Quarter	Reported	
Actual 2012	Actual 2011	∆ Abs	Δ%
2,000	2,220	-220	(9.9)
536	546	-10	(1.8)
296	276	20	7.2
-19	0	-19	-
1	1	0	0.0
-9	-9	0	-
2,805	3,034	-229	(7.5)
37.7%	38.4%	-0.7 pp	

	Full Year	Reported	
Actual 2012	Actual <b>2011</b>	∆ Abs	Δ%
8,696	9,173	-477	(5.2)
1,996	1,990	6	0.3
1,121	1,035	86	8.3
-45	27	-72	-
-57	-36	-21	(58.3)
-46	-18	-28	-
11,665	12,171	-506	(4.2)
39.5%	40.6%	-1.1 pp	



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#### Full-Year 2012 Preliminary Results and 2013-15 Plan Outline

# **TI Group - Main Results by BU - Organic Figures**

Euro min	9M Organic			
REVENUES	Actual 2012	Actual 2011	∆ Abs	Δ%
Domestic	13,422	14,078	-656	(4.7)
Wireline Domestic	9,613	10,011	-398	(4.0)
Tim Domestic	4,960	5,286	-326	(6.2)
Brazil	5,595	5,040	555	11.0
Argentina	2,804	2,337	467	20.0
Media	161	170	-9	(5.3)
Olivetti	185	210	-25	(11.9)
Other Activities & Elim.	-97	-108	11	-
TI Group	22,070	21,727	343	1.6

	IV Quarter Organic						
Actual 2012	Actual <b>2011</b>	∆ Abs	Δ%				
4,484	4,925	-441	(9.0)				
3,197	3,490	-293	(8.4)				
1,656	1,828	-172	(9.4)				
1,882	1,768	114	6.7				
980	828	152	18.5				
61	68	-7	(10.3)				
95	113	-18	(15.9)				
-47	-55	8	-				
7,455	7,647	-192	(2.5)				

Full Year Organic					
Actual 2012	Actual 2011	∆ Abs	Δ%		
17,906	19,003	-1,097	(5.8)		
12,810	13,501	-691	(5.1)		
6,616	7,114	-498	(7.0)		
7,477	6,808	669	9.8		
3,784	3.165	619	19.6		
222	238	-16	(6.7)		
280	323	-43	(13.3)		
-144	-163	19	-		
29,525	29,374	151	0.5		

		9M Or	ganic	
EBITDA	Actual 2012	Actual 2011	∆ Abs	Δ%
Domestic	6,713	7,034	-321	(4.6)
Brazil	1,477	1,353	124	9.2
Argentina	825	763	62	8.0
Media	-26	6	-32	-
Olivetti	-28	-37	9	24.3
Other Activities & Elim.	-37	-8	-29	-
TI Group	8,924	9,111	-187	(2.1)
EBITDA MARGIN	40.4%	41.9%	-1,5 pp	

IV Quarter Organic				
Actual 2012	Actual <b>2011</b>	∆ Abs	Δ%	
2,116	2,253	-137	(6.1)	
540	499	41	7.9	
311	255	56	21.8	
-19	0	-19	-	
2	1	1	100.0	
-9	-8	-1	-	
2,941	3,000	-59	(2.0)	
39.5%	39.2%	0.3 pp		

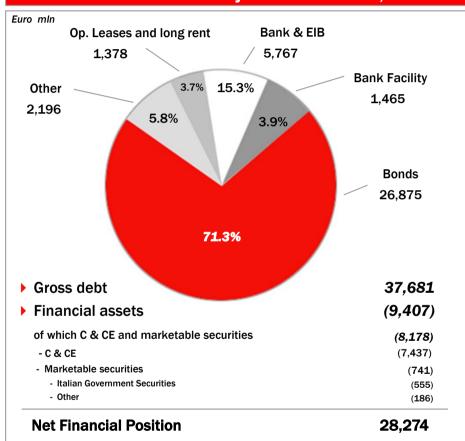
Full Year Organic				
Actual 2012	Actual 2011	∆ Abs	Δ%	
8,829	9,287	-458	(4.9)	
2,017	1,852	165	8.9	
1,136	1,018	118	11.7	
-45	6	-51	-	
-26	-36	10	27.8	
-46	-16	-30	-	
11,865	12,111	-246	(2.0)	
40.2%	41.2%	- <b>1</b> pp		



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### **Well Diversified and Hedged Debt**

#### Total Gross Debt Net of Adjustment: Euro 37,681 mln



#### **Maturities and Risk Management**

- Average debt maturity: 7.13 years (bond only 8.05 years)
- Fixed rate portion on gross debt approximately 73.8%
- Around 48% of outstanding bonds (nominal amount) is denominated in USD, GBP and YEN and is fully hedged

Cost of debt: ~5.4%

23

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 2.560 €/mln (of which 673 €/mln on bonds)
- the impact on Financial Assets is equal to 1,781 €/mln

Therefore, the Net Financial Indebtedness is adjusted by 779 €/mln.

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