

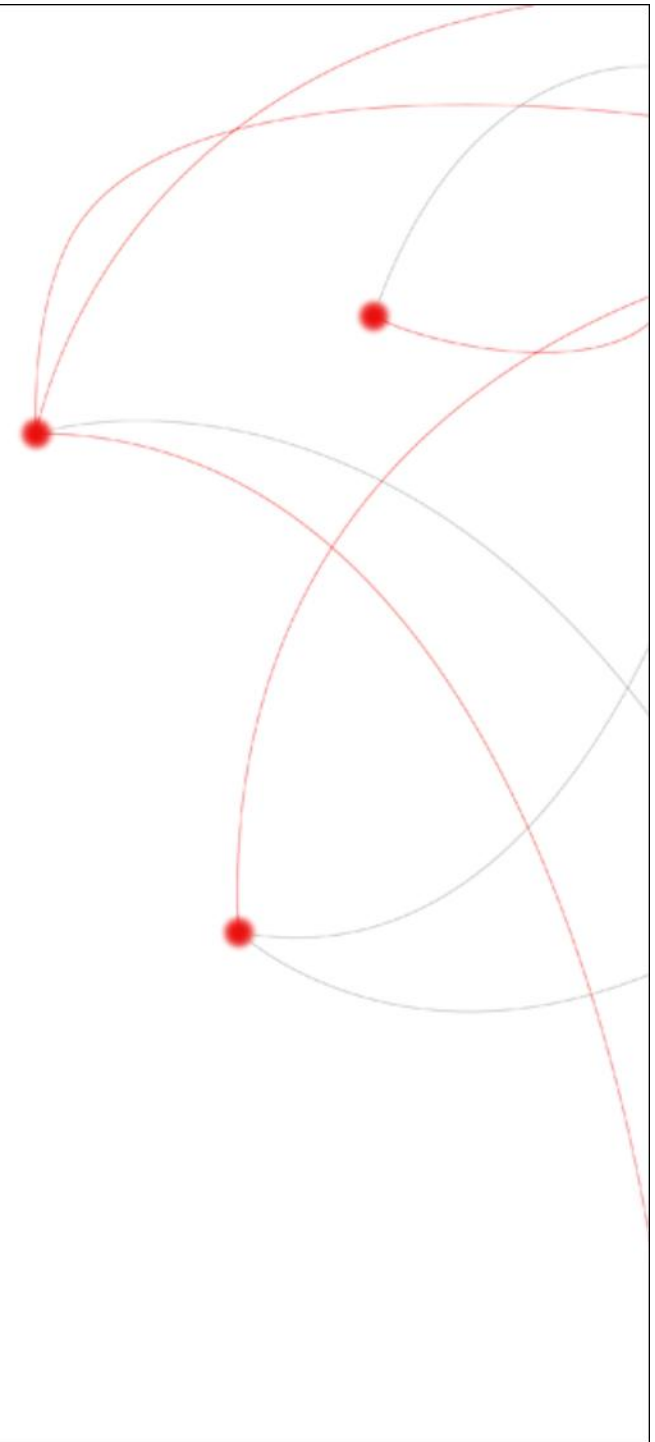
TELECOM ITALIA GROUP

9M 2012 Results

Milan, November 9th, 2012

Telecom Italia 9M 2012 Results

MARCO PATUANO



Safe Harbour

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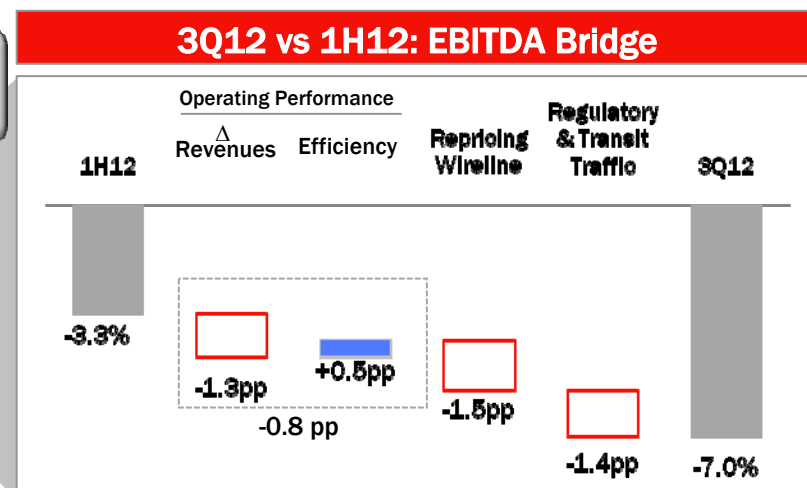
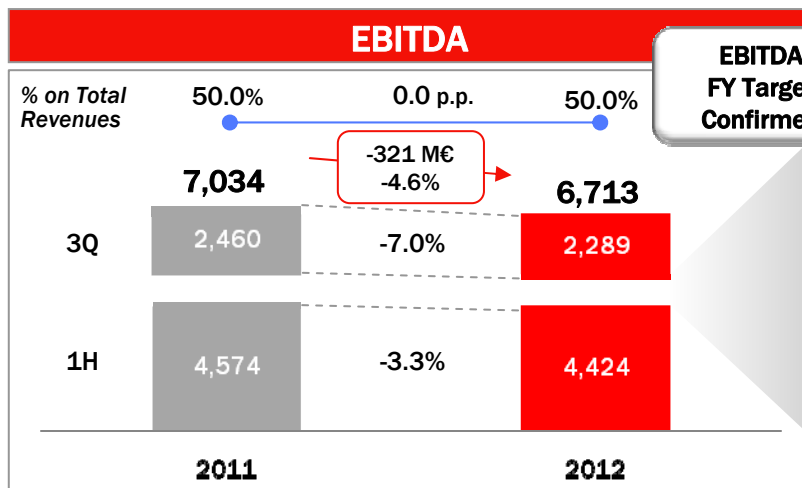
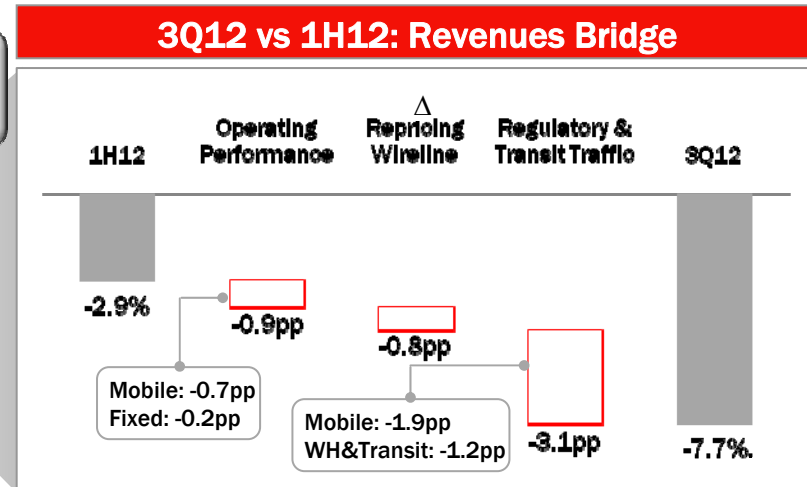
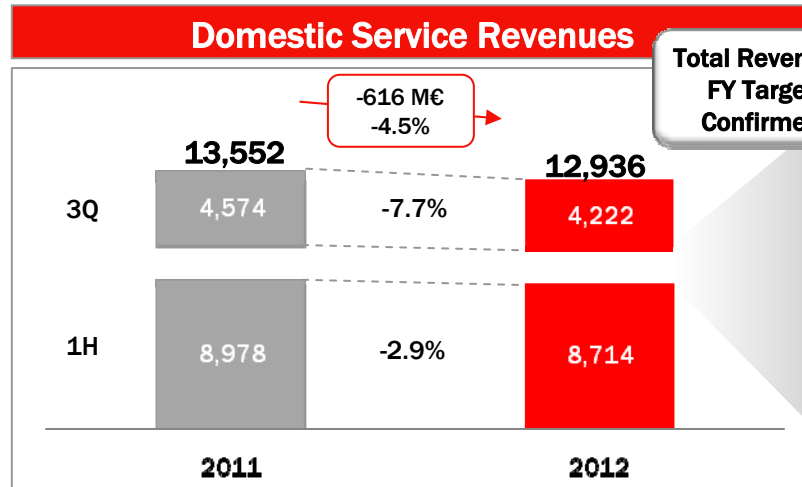
Some data for the 2011 financial year used in comparisons included into this presentation are restated as a result of the early adoption of the revised IAS 19 (Employee Benefits) version and the reclassification of Matrix from the Business Unit Domestic-Core Domestic to the Business Unit Other Activities

Agenda

- ▶ **Domestic 3Q12 Progress Report**
 - ▶ **Fixed Business**
 - ▶ **Mobile Business**
- ▶ **Appendix**

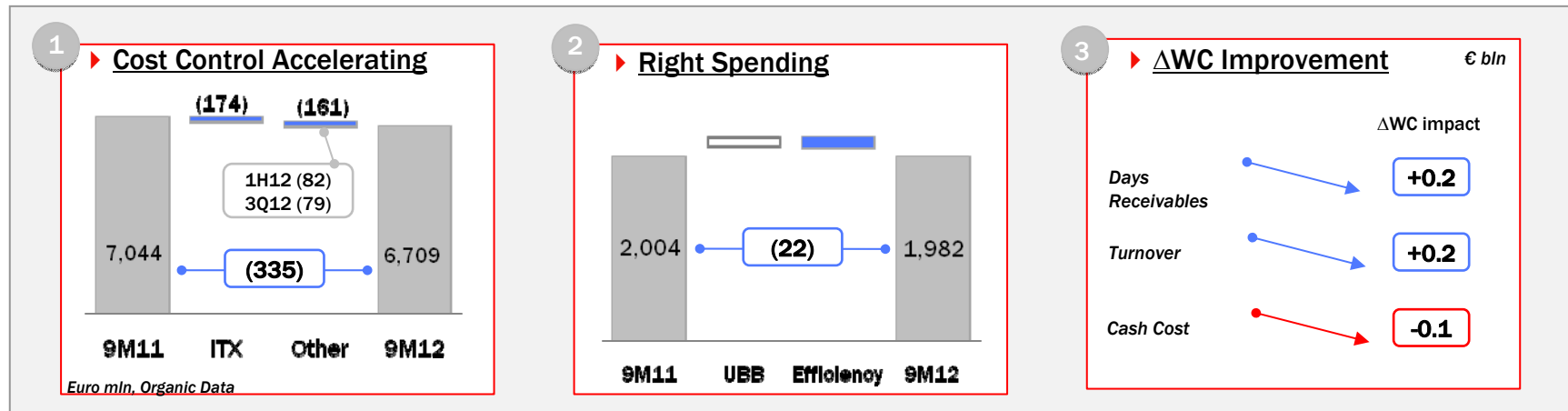
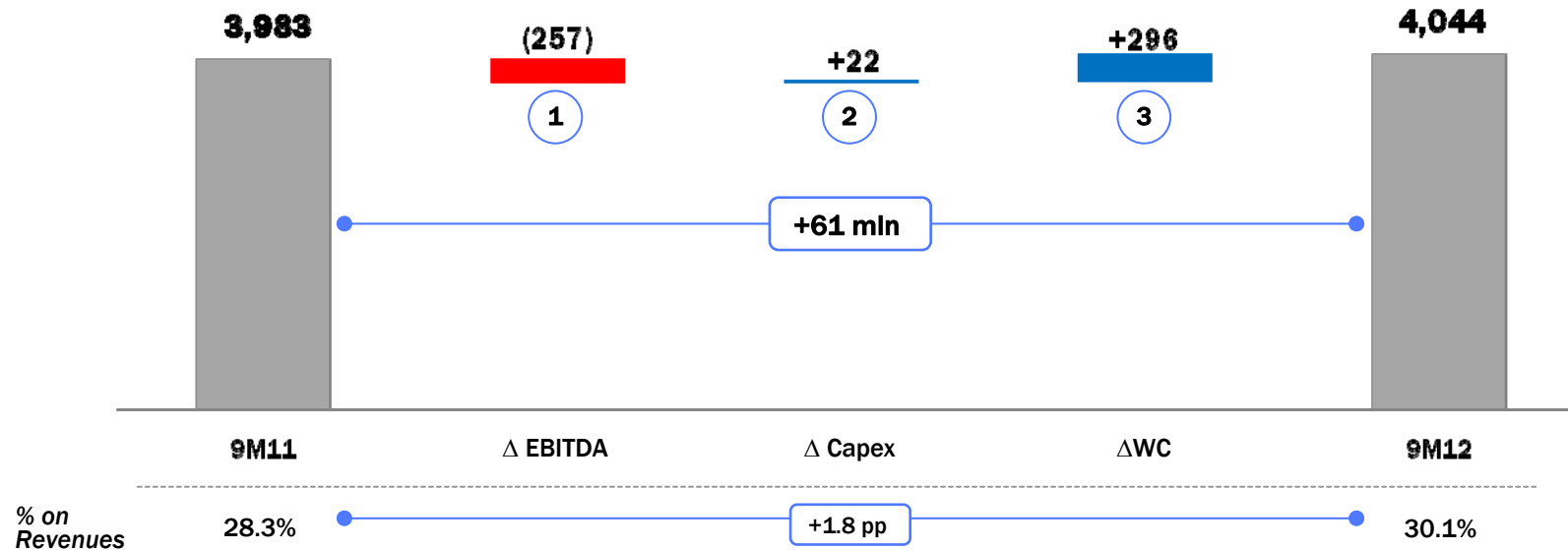
Domestic Results: 3Q12 vs 1H12 Evolution

Euro mln, Organic data, %

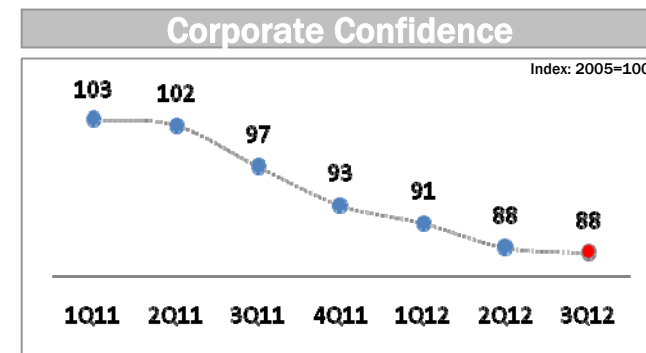
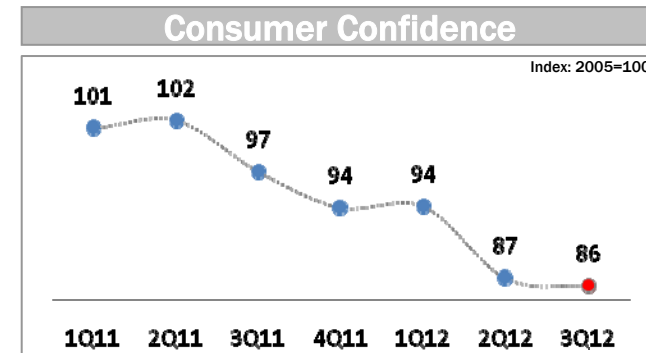
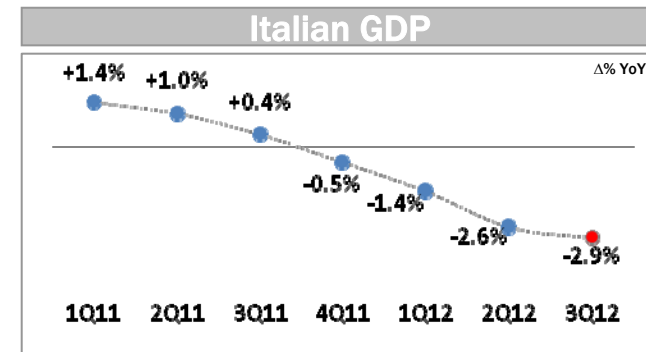
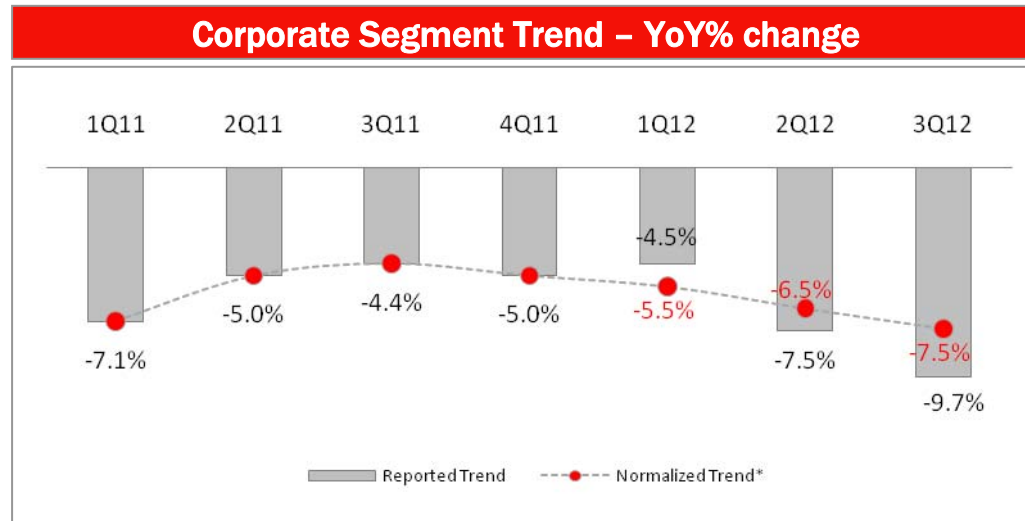
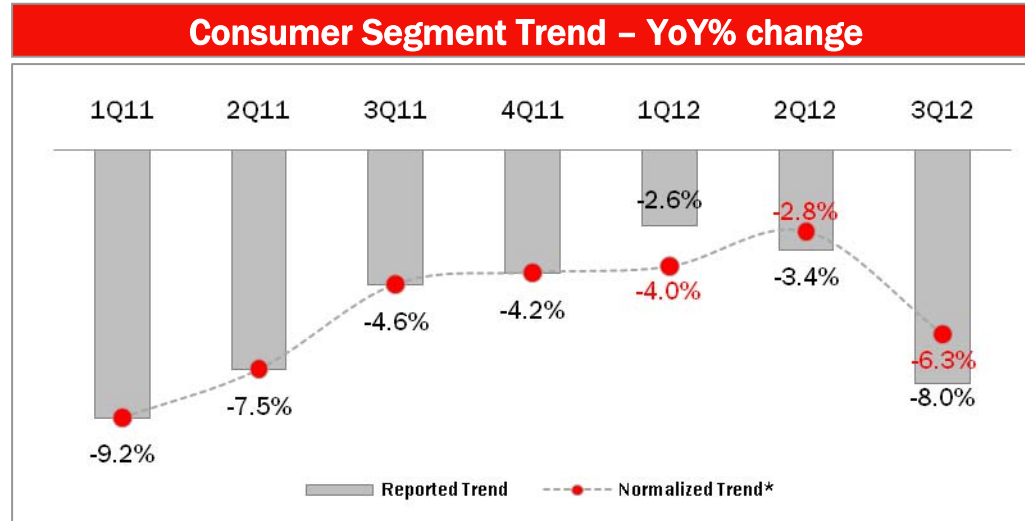


Domestic Operating Free Cash Flow Evolution

Euro mln, Reported Data



Service Revenues Trend by Segment: Consumer & Corporate



Delivering Domestic Targets during an Economic Slowdown

Delivering our Targets for 2012...

...while working for the Future

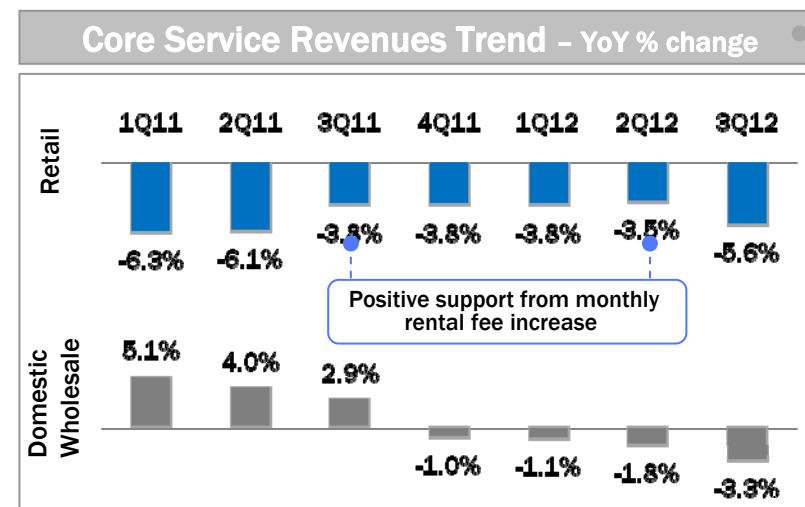
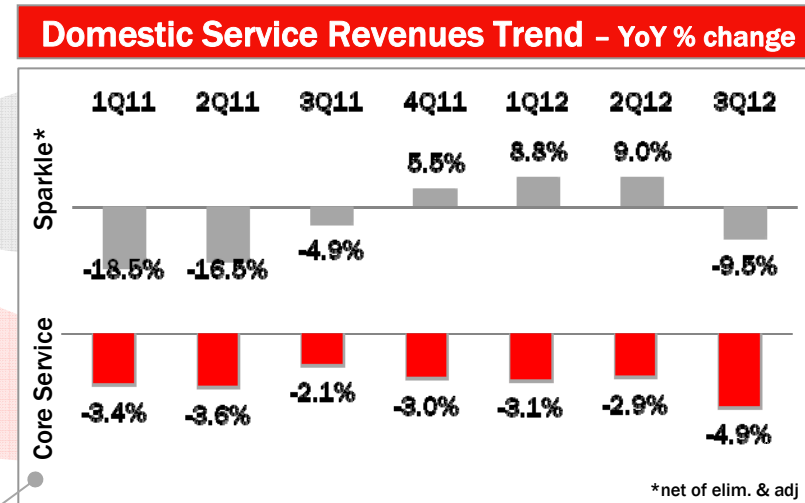
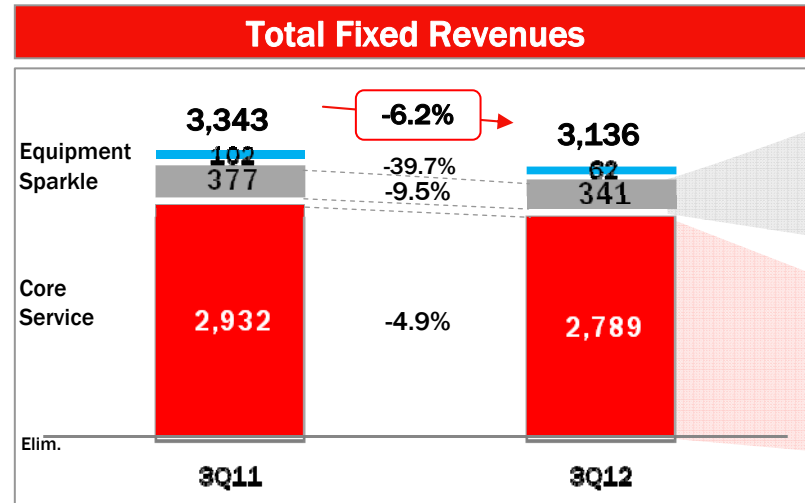
Revenues	Traditional Services <ul style="list-style-type: none"> • Traditional Services under pressure • Fixed Market weak, but TI holds a stable Market Share 		Traditional Services <ul style="list-style-type: none"> • Bundling is the way to defend ARPU • Leveraging on Fixed and Mobile Customer Base • Explore Regulatory opportunities
	Innovative Services <ul style="list-style-type: none"> • Mobile BB: Small Screen Penetration up • LTE Launched (Nov. 7th) • Fixed UBB ready to go • Cloud & ICT Portfolio enriched 		Innovative Services <ul style="list-style-type: none"> • Best UBB experience • Enrich connectivity • Multi-devices approach • Extract value from the Cloud (Consumer & Corporate) • ICT offering upgrade
Opex	Mantening Tight Expenses Control <ul style="list-style-type: none"> Commercials <ul style="list-style-type: none"> •No subsidy increase •Advertising expenses reduced but «Top of Mind» confirmed •Cost of caring under control while CSI improved Industrial Human Resources 		Introduce Discontinuities <p>Working on non-core activities in order to further benchmark with «best-in-class» players</p>
	Well on Track <p>Efficiencies and Right-Spending on Investments confirmed, notwithstanding LTE & NGN deployment</p>		Maintaining high level of Efficiency <ul style="list-style-type: none"> Focus on: <ul style="list-style-type: none"> •New technologies •Architectural simplification Right-Spending on: <ul style="list-style-type: none"> •Day-by-day operations •Commercial Capex Pursue Group Synergies
Capex			

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 - ▶ Mobile Business
- ▶ Appendix

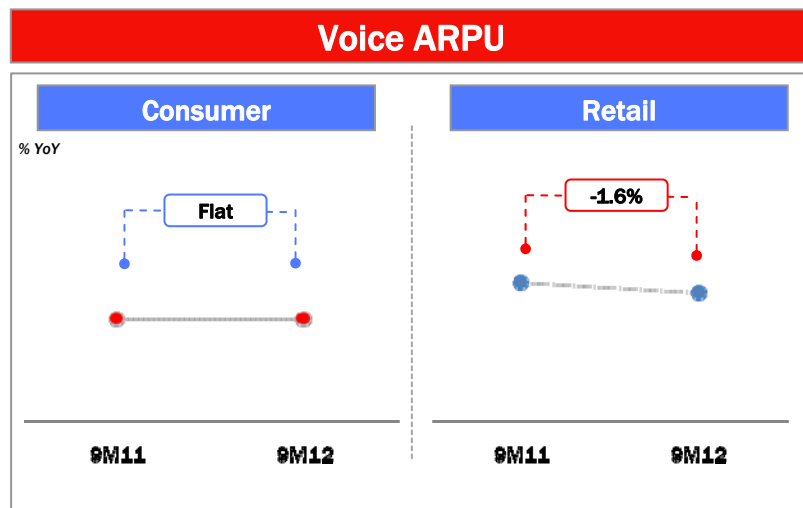
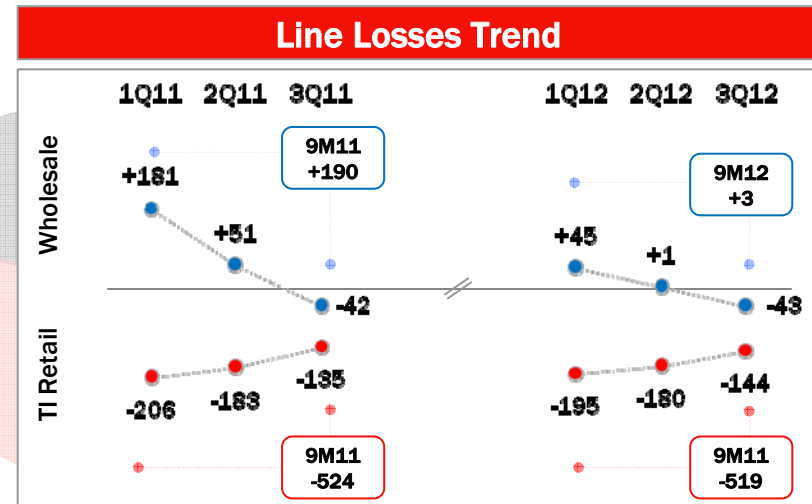
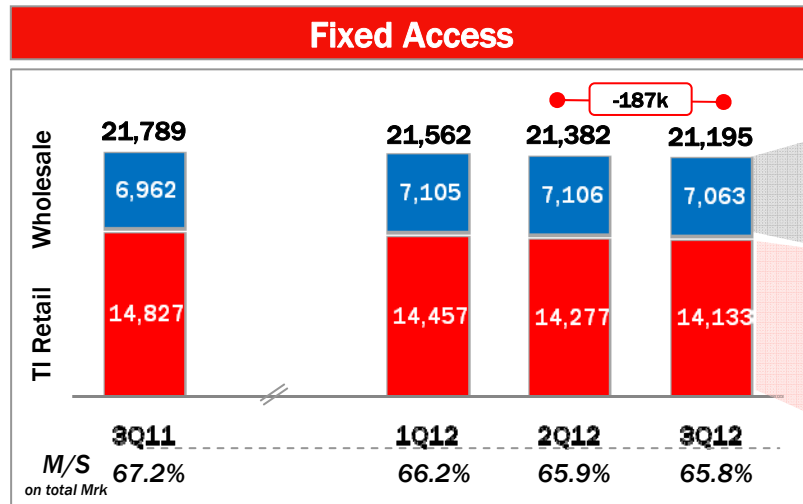
Domestic Fixed: Focus on core Service Revenue Performance

Euro mln, Organic Data, %



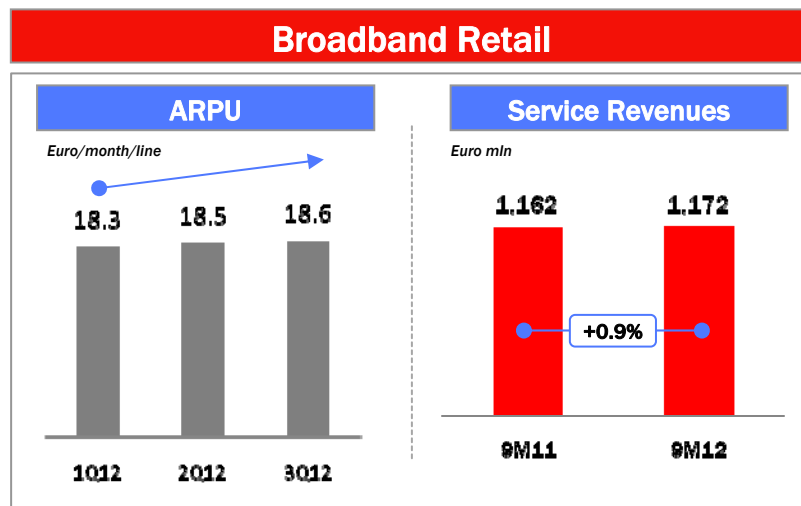
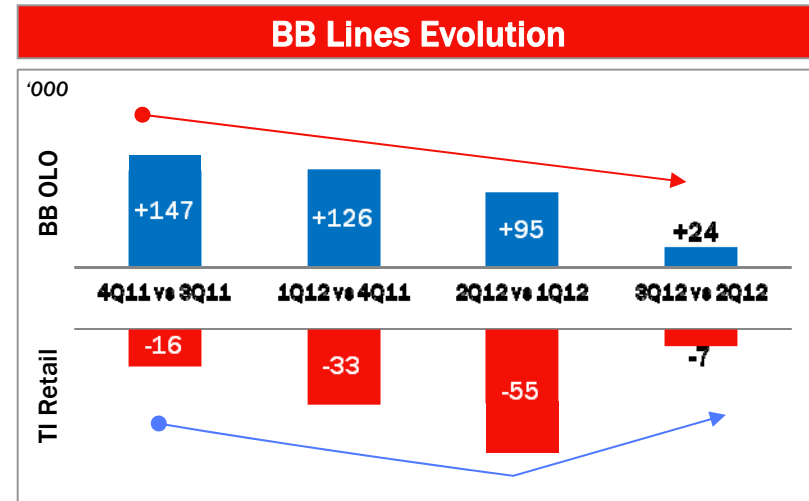
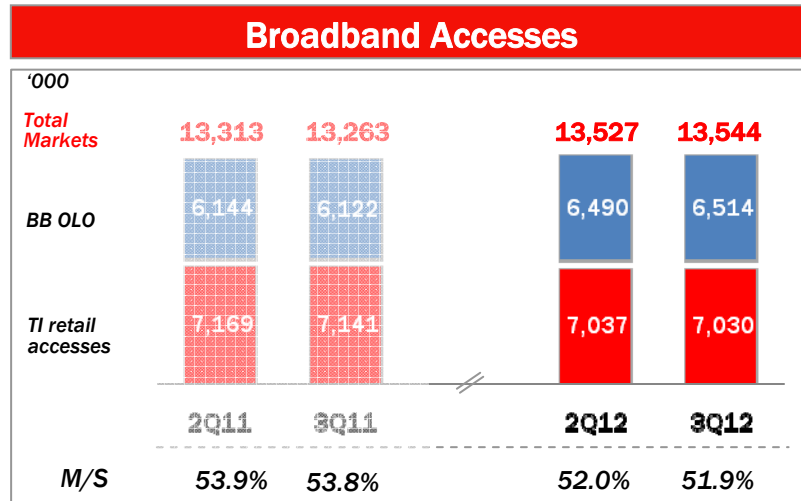
- ### Highlights
- ▶ Core Services down to -4.9% YoY due to:
 - ▶ expected worse comparison effect on Consumer
 - ▶ worse Macro scenario on Corporate segment
 - ▶ unexpected retroactive reduction of WLR
 - ▶ Sparkle:
 - ▶ New round of low-margin transit contracts discontinuation, with no impact on Ebitda

Domestic Fixed: TI Access Performance



- ### Highlights
- ▶ Line Losses neither caused nor caught by OLO's
 - ▶ Our competitors are continuing to increase churn among each other
 - ▶ Consumer ARPU stable as the CB reduction affected low-end clients and slow-down mainly impacted the Corporate segment

Domestic Fixed: Broadband Figures



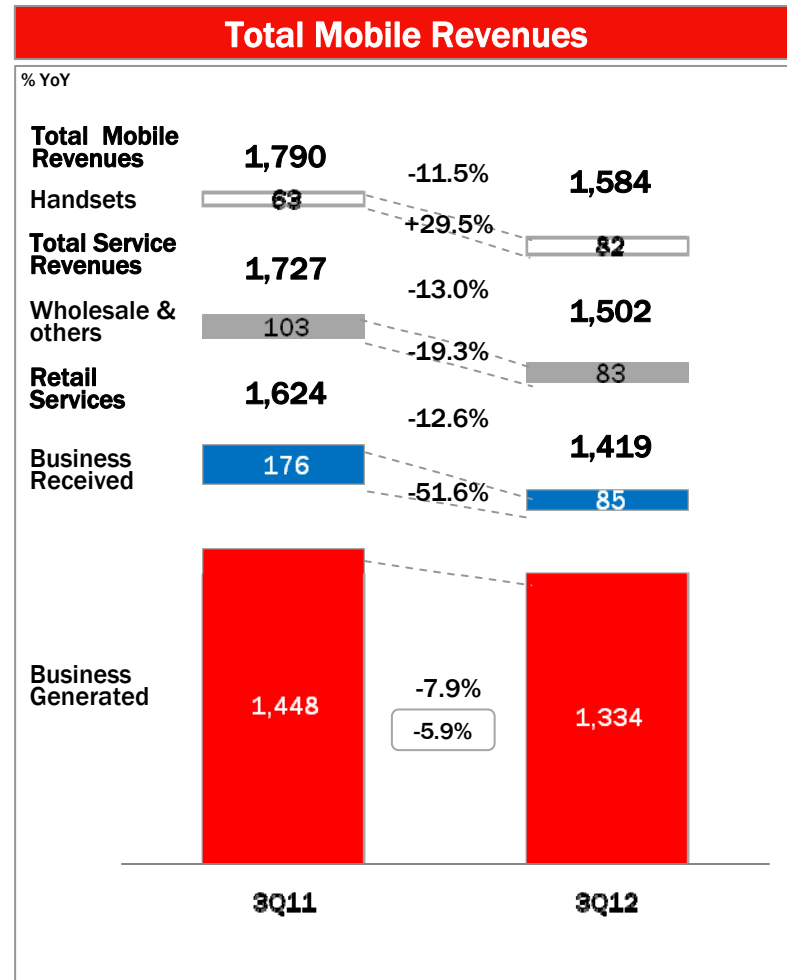
- ### Highlights
- ▶ Italian Fixed Broadband:
 - ▶ Stability in TI's Market Share.
 - ▶ Constant decline in OLO's net acquisitions.
 - ▶ TI's ARPU upbeat trend confirmed.
 - ▶ Increase in Superinternet and Flat Offers on CB without leveraging on promos.

Agenda

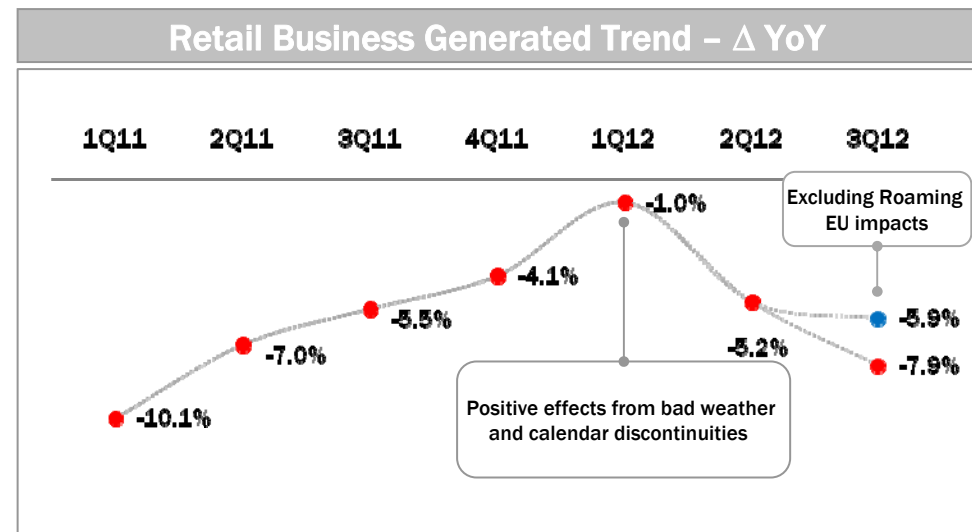
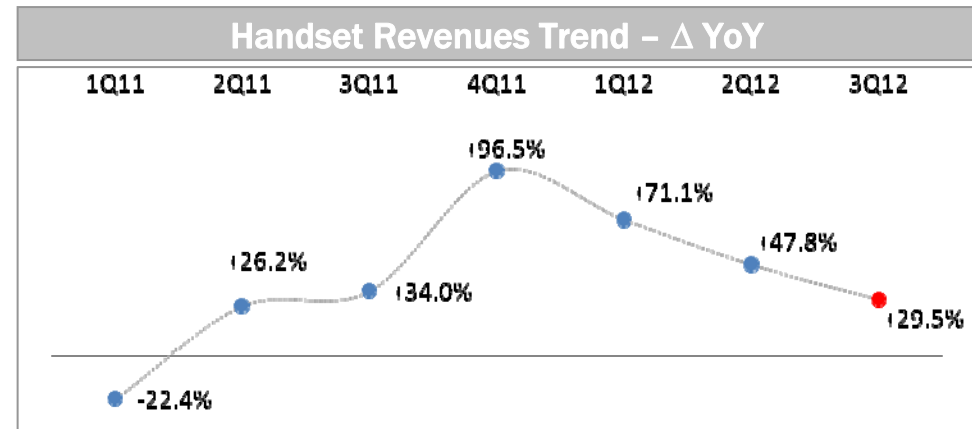
- ▶ Domestic 3Q12 Progress Report
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Mobile Revenues: 3Q12 Results at a Glance

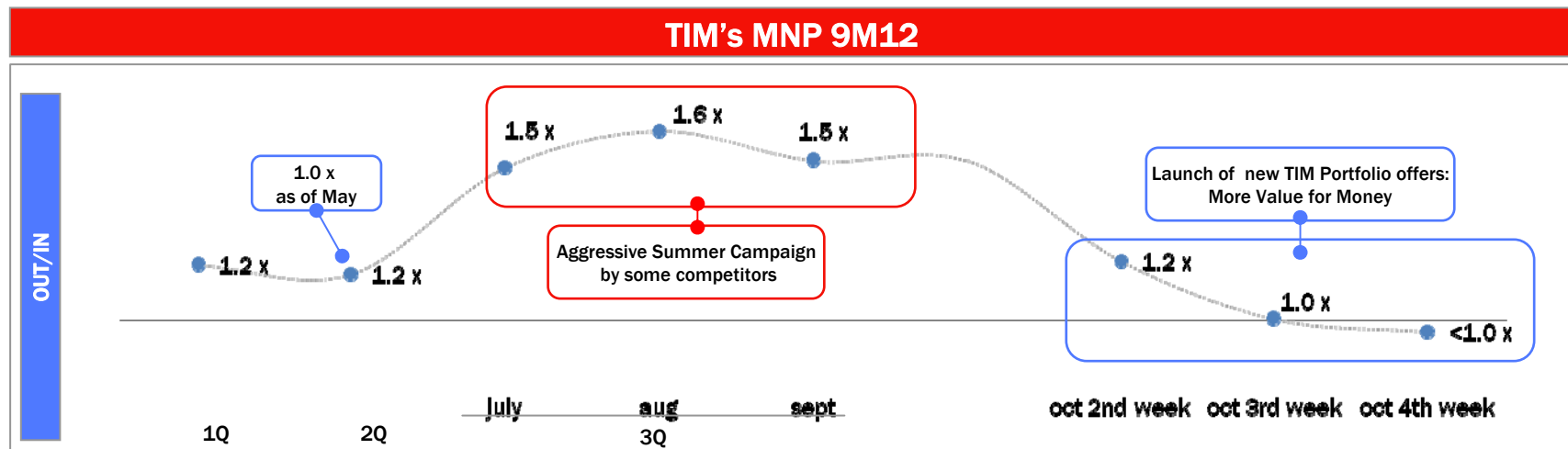
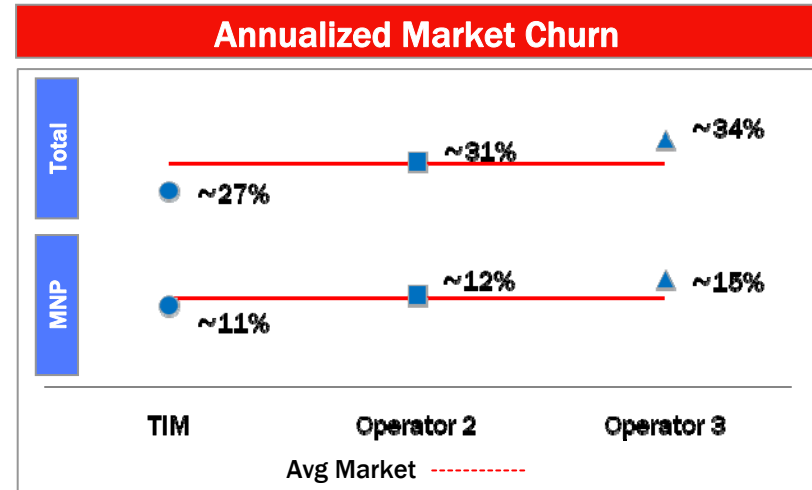
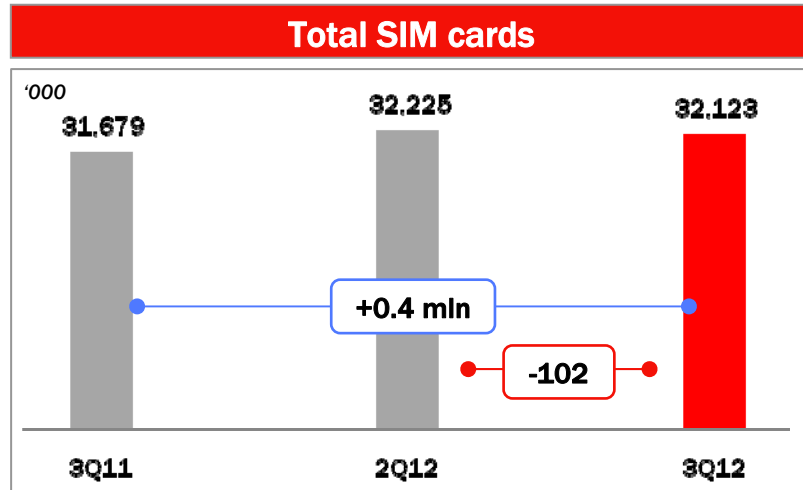
Euro mln, Organic Data



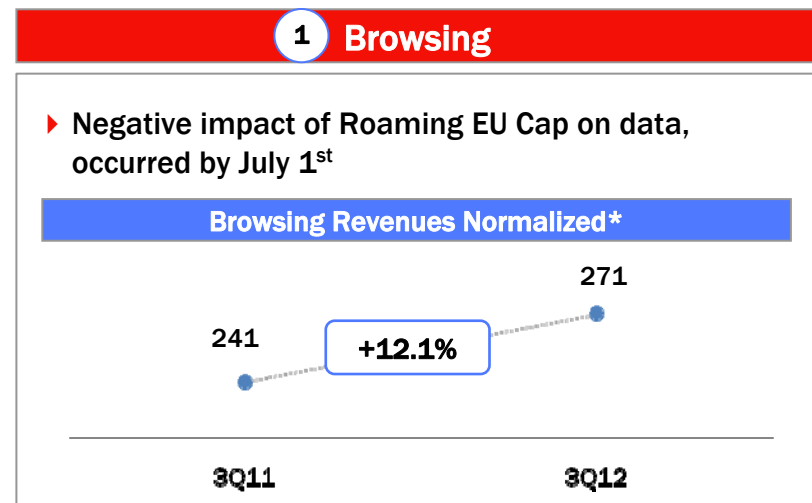
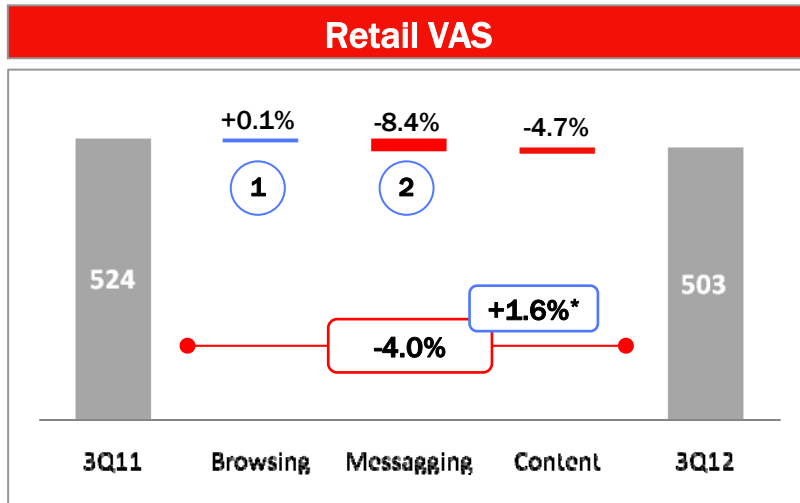
 Excluding Roaming UE impacts



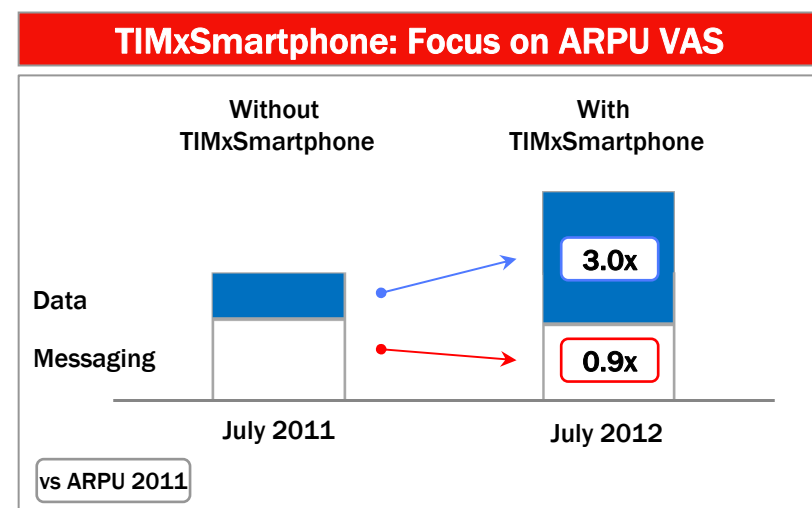
Domestic Mobile: Customer Base Trend



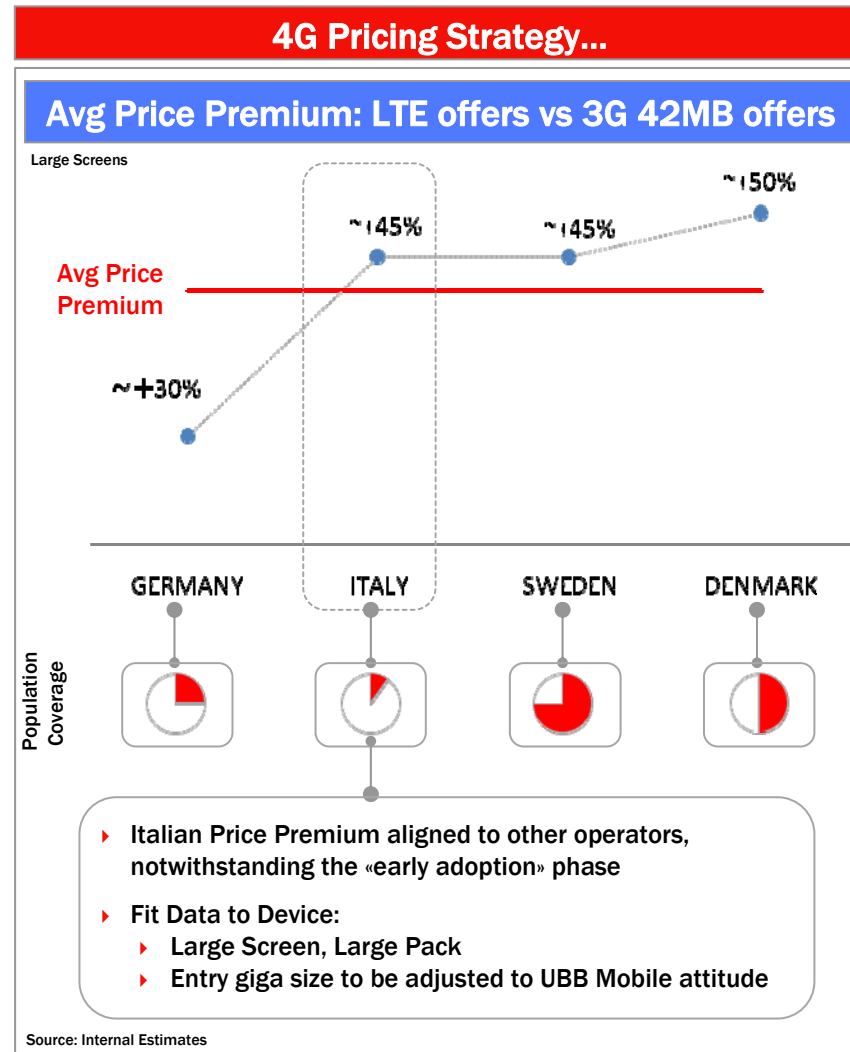
Domestic Mobile Retail: Focus on VAS



- ### 2 Messaging
- Bundles on MBB+VAS (e.g. "TIMxSmartphone") are the right Value Proposition for the Market: no cannibalization effect on VAS Consumer ARPU
 - Negative balance between decreasing average SMS price and steady number of SMS user
 - Increasing number of active smartphone users** (+49% YoY) enables alternative messaging services



LTE: a Growth Opportunity, starting from Large Screens



- ### ...beyond Early Adoption
- Bundles without Boundaries**
- ▶ Diversify offer portfolio to fit customers' demand
 - ▶ Cross-check coordination in pricing vs ADSL
- Quality of Services**
- ▶ Traffic Segmentation for a «Priority Service»
 - ▶ Speed availability is key to ensure a real «Ultra Mobile Broadband Experience»
- “Tailor-made” VAS Content**
- ▶ Exclusive VAS Content to make best use of the strong increase of network performance
- Market Approach**
- ▶ Coverage: Selective and Focused, aimed at maximizing the Return on LTE Investments

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Domestic Wireline Revenues

Euro mln, Organic Data, %

	3Q11	3Q12	YoY %	9M12vs11 YoY %
Total	3,343	3,136	(6.2)	(4.0)
Sparkle Group	377	341	(9.5)	2.1
Domestic Core Services	2,932	2,789	(4.9)	(3.6)
Voice & Access	1,385	1,287	(7.1)	(5.8)
Internet	396	396	-	1.0
Business Data	302	281	(7.0)	(5.8)
National Wholesale	789	763	(3.3)	(2.0)
Other & Subs	60	62	n.m.	n.m.
Products	102	62	(39.7)	(38.3)
Elimination	(68)	(56)	n.m.	n.m.

Domestic Mobile Revenues

Euro mln, Organic Data, %

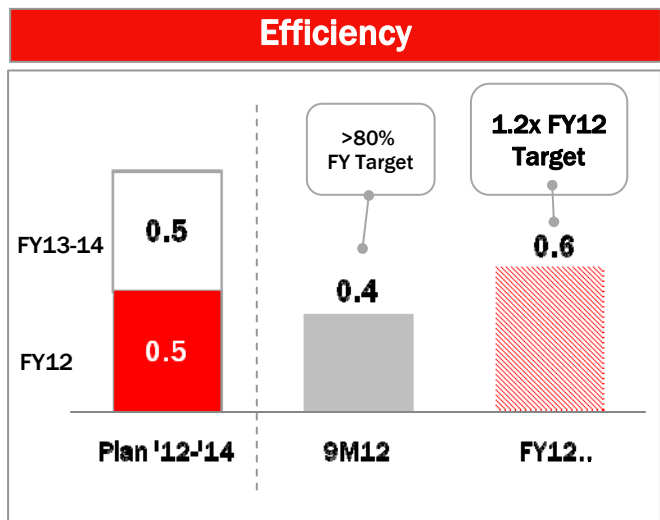
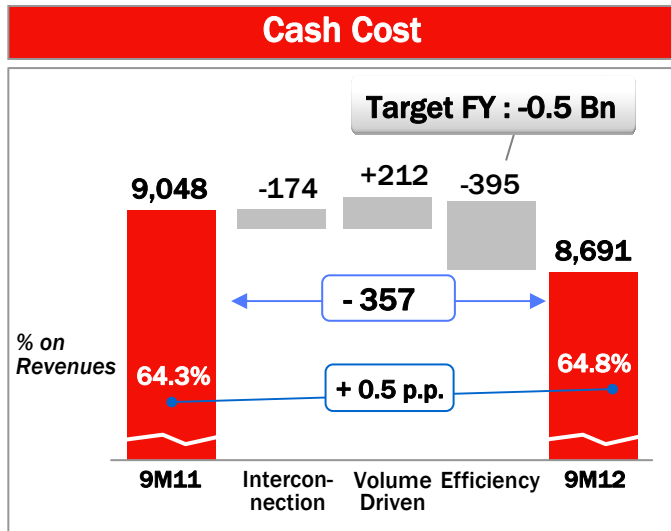
	3Q11	3Q12	Δ % YoY	9M12vs11 YoY %
Total	1,790	1,584	(11.5)	(6.2)
Wholesale (*)	103	83	(19.3)	(17.7)
Retail	1,687	1,501	(11.0)	(5.6)
o/w Services	1,624	1,419	(12.6)	(7.6)
o/w Business Generated (**)	1,448	1,334	(7.9)	(4.8)
o/w Outgoing Voice	924	831	(10.1)	(8.4)
o/w VAS	524	503	(4.0)	1.8
o/w Incoming	176	85	(51.6)	(27.0)
o/w Handsets	63	82	29.5	46.6

(*) Including Visitors

(**) Total Retail Services Revenues net of Incoming

Progress on Domestic Efficiency Plan

Euro mln, Organic Data, %

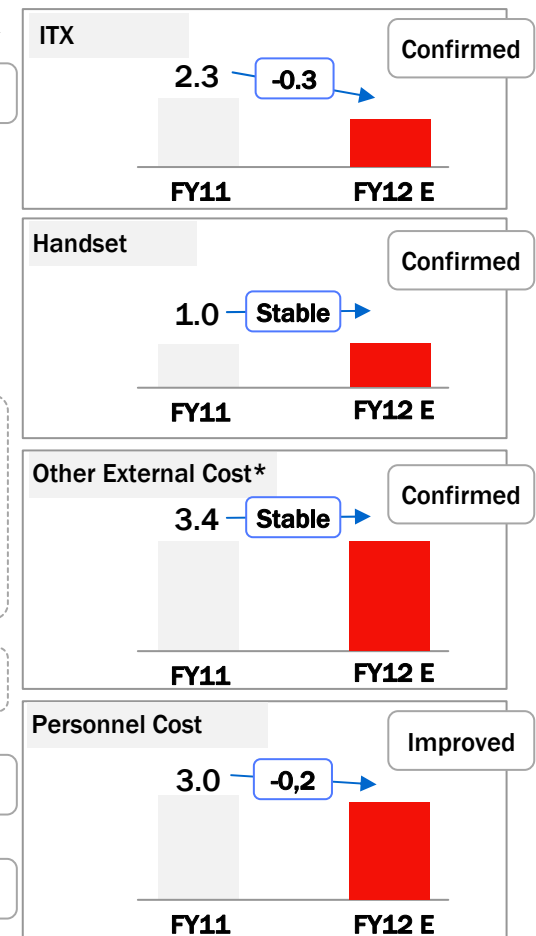


Delta Cash Cost 9M12 vs 9M11

	9M12	Δ Abs 9M 12 YoY	Δ Abs 3Q12 YoY
Total Opex*	6,709	-335	-203
ITX	1,533	-174	-124
Handset	573	-24	-29
Mktg & Comm.	1,331	-99	-28
Industrial	793	+83	+34
G&A & Other	376	-4	-2
Personnel	2,103	-116	-54
Fixed Opex		-37	-22
Total Capex	1,982	-22	-3
Total Cash Cost	8,691	-357	-206

FY12 Trend

Euro Bln, Organic Data



Total FY 12 ~9.2Bln€