

TELECOM ITALIA GROUP

3Q'16 Results

Rome – November 7, 2016

3Q'16 Update

Flavio Cattaneo – Piergiorgio Peluso

Safe Harbour

This presentation contains 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 estimates regarding future growth in the different business lines and the global business, financial results and other aspects of the activities and situation relating to the Telecom Italia 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 makes no representation, whether expressed or implied, as to the conformity of the actual results with those projected in the forward looking statements.

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 and investors are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Telecom Italia 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 business or acquisition strategy or planned capital expenditures or to reflect the occurrence of unanticipated events. Analysts and investors should 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 which may identify factors that affect the forward looking statements included herein.

The financial and operating data, with the exception of some data, have been extracted or derived from the Condensed Consolidated Financial Statements as of and for the nine months ended 30 September 2016 which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Union (designated as IFRS). Such interim financial statements are unaudited.

The accounting policies adopted in the preparation of the Condensed Consolidated Financial Statements as of and for the nine months ended 30 September 2016 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2015, to which reference should be made, except for the new standards and interpretations adopted by the Telecom Italia Group starting from 1 January 2016 which had no effects on the Condensed Consolidated Financial Statements as of and for the nine months ended 30 September 2016.

Within the Brazil Business Unit, TIM Brasil's Management recently identified that incorrect accounting entries were made in prior years in connection with the recognition of service revenue from the sale of prepaid traffic. Such incorrect accounting entries, resulted in the early recognition of revenues and consequently the underestimation of deferred revenue liabilities for prepaid traffic not yet consumed. The incorrect accounting entries did not have any impact either in terms of net financial position nor on cash and cash equivalents.

In light of the above, the comparative financial information as of 31 December 2015 and for the three-month and nine-month periods ended 30 September 2015 have been revised, segment information included. Furthermore, such revision did not have any material impact on the consolidated income statement of the three-month and nine-month periods ended 30 September 2015.

Segment information is consistent with the prior periods under comparison with the exception of the Media Business Unit that, starting from 1 January 2016, as a result of the change in the operational mission of Persidera, is included in the Domestic Business Unit.

Furthermore, the Sofora - Telecom Argentina group, which was disposed of on 8 March 2016, is classified as Discontinued operations.

Agenda

— Group Progress Overview - Flavio Cattaneo

3Q'16 Results – Piergiorgio Peluso

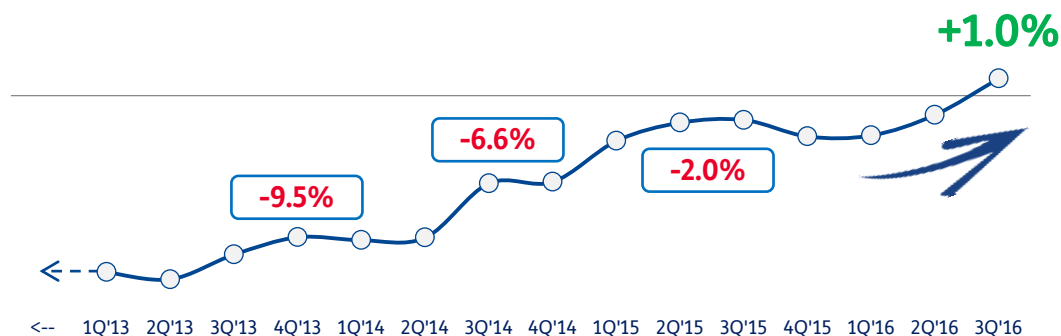
Take-Aways – Flavio Cattaneo

Back-up

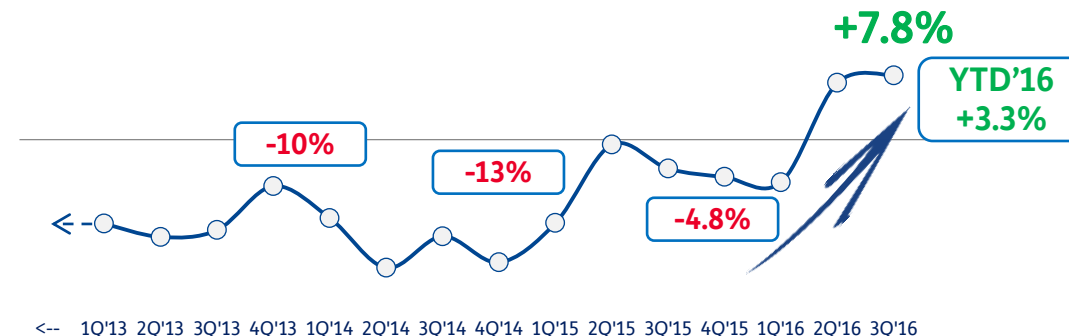
Another Quarter of Outperformance on Domestic

Organic*, % YoY

Total Revenues

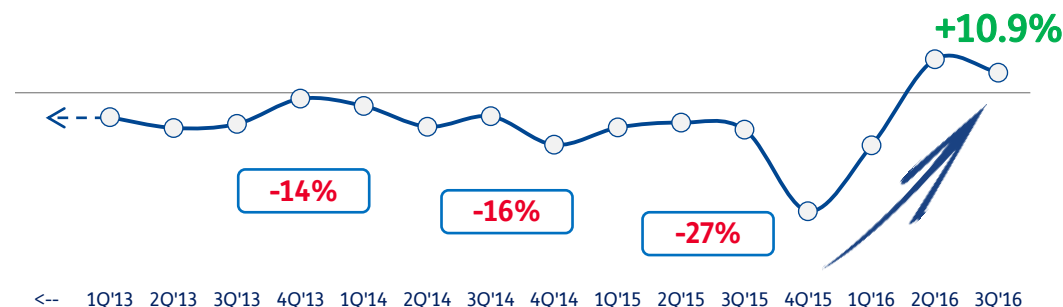


Organic* EBITDA



- Best Domestic Quarterly performance since 2007
- Combining Top Line Growth with strong EBITDA * and EBITDA-CAPEX
- Sound growth in Organic Ebitda Margin: +3.1pp YoY at 49.3% in 3Q
- 9M'16 YoY EBITDA* +3.3% already ensures YTD the 2016 «low-single digit growth» Target

EBITDA-CAPEX**



FY
performance



* Organic: before non-recurring items and excluding exchange rate fluctuations

**Excl. license

Telecom Italia Group Results - 3Q'16

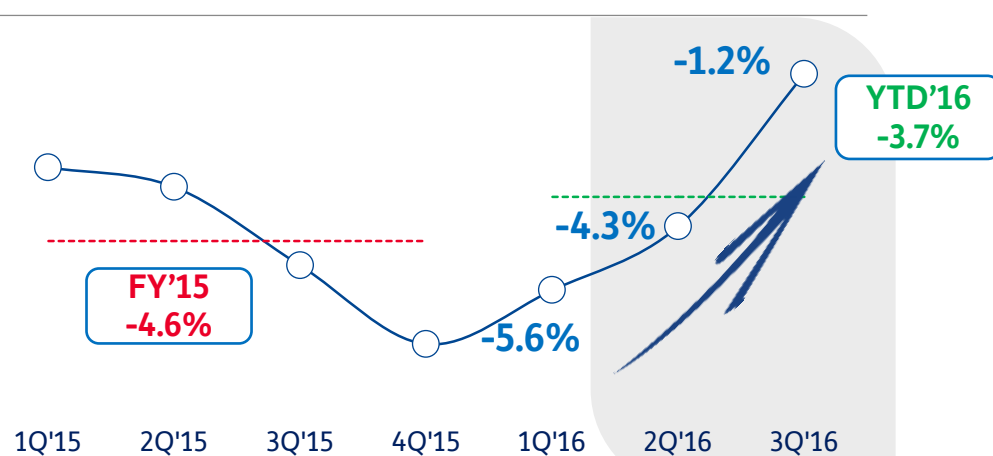
Flavio Cattaneo

Group Shifting Gear, with also Brazil in Recovery mode

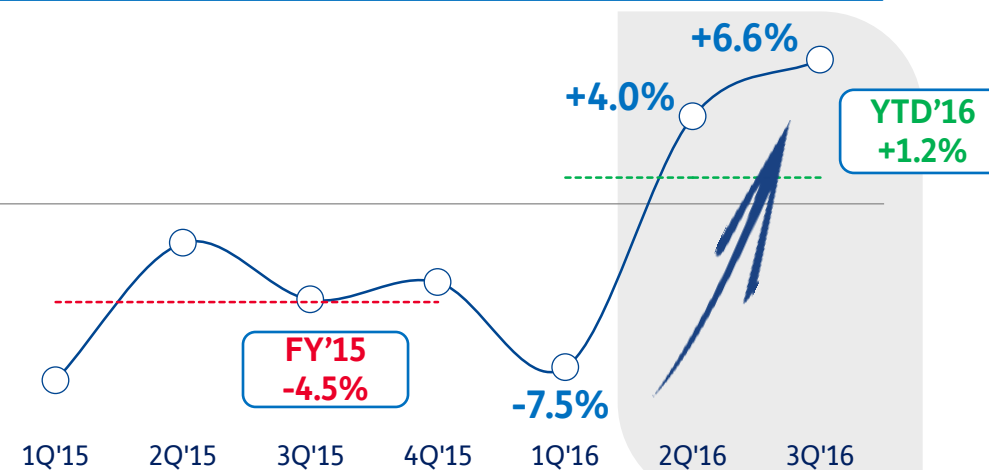
Organic*, % YoY

TIM Group

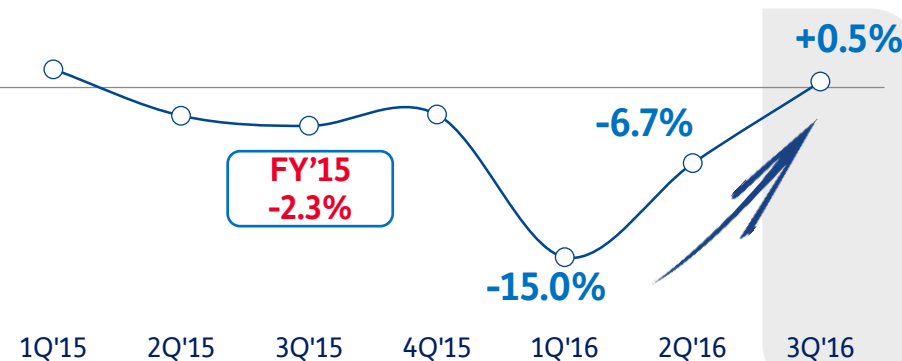
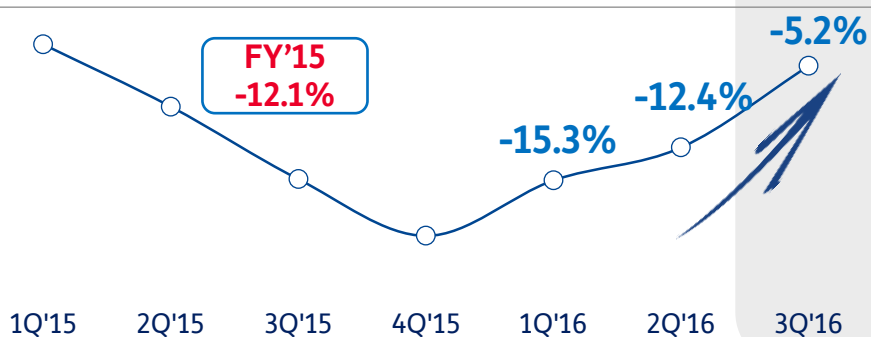
Total Revenues





Organic* EBITDA






Brazil



Building-up further upside for 4Q'16

	3Q'16	KPIs	What's next
 Mobile	Working on our Customer Base <ul style="list-style-type: none"> Service revenue growth confirmed at +1.1% YoY New offers gain momentum More upselling on CB 	<ul style="list-style-type: none"> ARPU upwards to 12.8€ vs 12.5€ in 3Q'15 LTE penetration increased to 51%* Good MNP Balance at -44k (vs -70k in 2Q'16) Best-in-class Churn at 23.5% confirmed 	Further Performance supported by: <ul style="list-style-type: none"> Growing LTE penetration and densification Quality and Caring Push on Innovation: TIM Turbo Giga and more to come...
 Fixed	Moving into attack-mode <ul style="list-style-type: none"> Consumer: Successful September campaign leads to double-digit growth in new fixed lines Business: Performance step-up in just one quarter (gross adds +30% YoY, net losses at historical low) 	<ul style="list-style-type: none"> Record-low line losses at -100k BB Net Adds +37K BB ARPU up to € 22.4 (vs 3Q'15 20.7€) > 1.1 million NGN customers New HD TV campaign delivers top-of-the-charts results +100k TIM Smart gross adds in September 	A growing Fiber beat enables more convergent sales <ul style="list-style-type: none"> Upgrading 80k HH per week to FttC and 20k HH per week to FttH Voice-only upgrades to BB Fiber Try-and-Buy Further reduction in line losses

TIM Ultra BroadBand Roll-Out has never been Faster

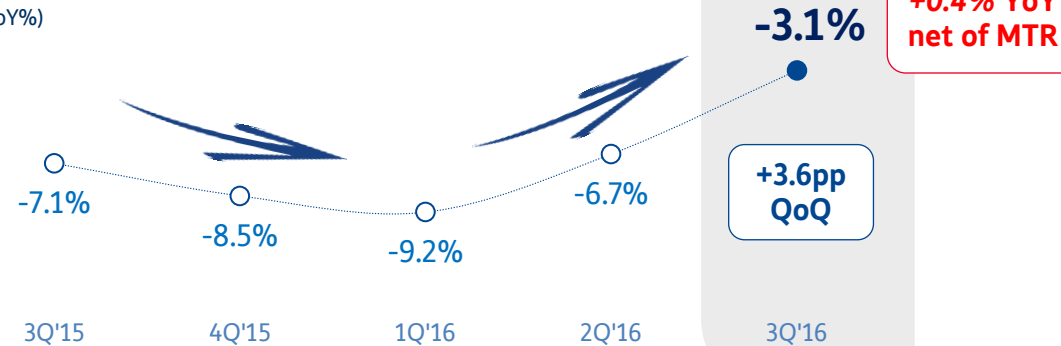
Technology	Current coverage	YE'16 Target
 <p>FttH/B up to 1Gbps</p>	<ul style="list-style-type: none"> 785k HH (+257k QoQ) of which 98k by August 15th with Flash Fiber 30 cities (+16 QoQ) 	<p>➤ ~1 million HH</p>
 <p>FttC up to 200 Mbps</p>	<ul style="list-style-type: none"> 13.6 million passed (>1 million QoQ) Sellable in 1,510 cities (+260 QoQ) 56% YE 2016 Country Coverage Target already met in October 	<p>➤</p> <ul style="list-style-type: none"> Country Coverage Target increased to ~60% 14 million HH passed Sellable in 1,600 cities
 <p>LTE up to 150 Mbps*</p>	<ul style="list-style-type: none"> YE '16 Target of 95% (+1.3 pp vs. 2Q'16) population coverage already reached in August 6,530 cities reached (>+240 QoQ) 	<p>➤</p> <ul style="list-style-type: none"> Increased to > 96% in > 6,600 cities

Turnaround has just started

MSR: Nose-Up

Mobile Service Revenues

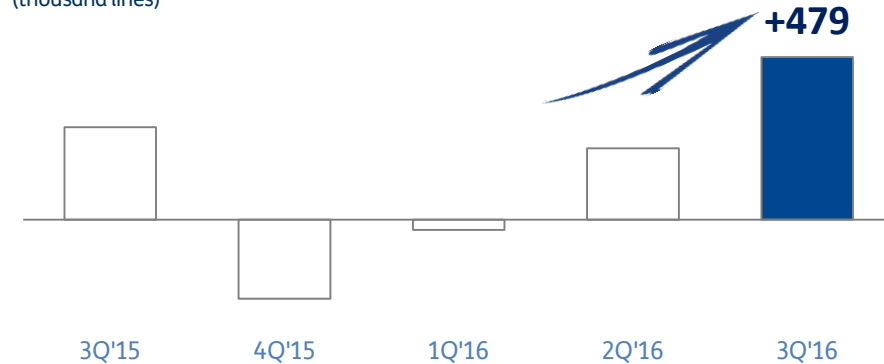
(YoY%)



Evolving our Market Positioning

Postpaid quarterly net adds

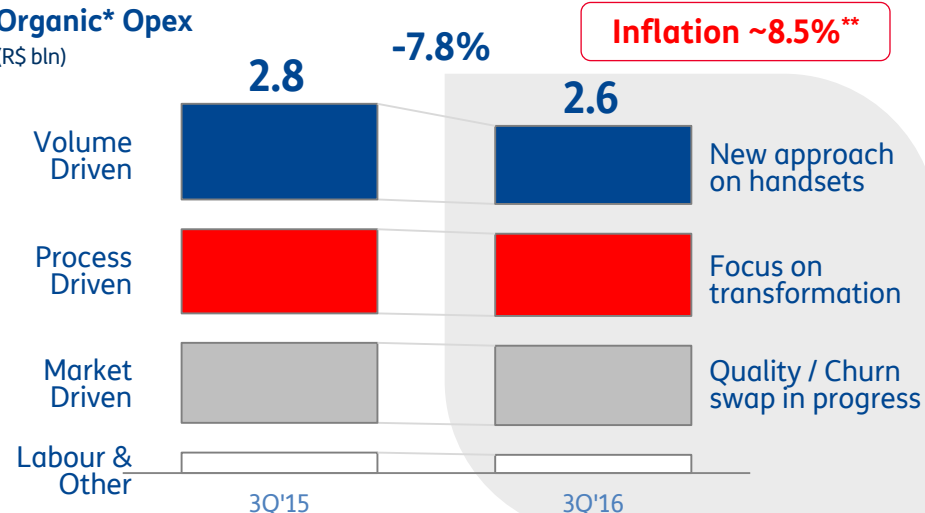
(thousand lines)



Opex Reduction in progress

Organic* Opex

(R\$ bln)



Postpaid % on CB

19.0%

+3.5%

22.5%

- Consistent Recovery on Revenues and KPIs, with ARPU up 12% YoY at R\$ 18.4 in 3Q'16 (from R\$ 16.4 in 3Q'15)
- TIM Improving Customer Mix while taking part to a more rational pricing environment
- Organic* EBITDA back to positive in 3Q, reaching a 33.1% margin (up ~2pp both YoY and QoQ)
- TIM at the forefront in LTE Urban Coverage (66%) with an efficient Capital Allocation
- Strong Performance in Cash Generation (9M Organic* EBITDA-Capex +30% YoY)

Agenda

Group Progress Overview – Flavio Cattaneo

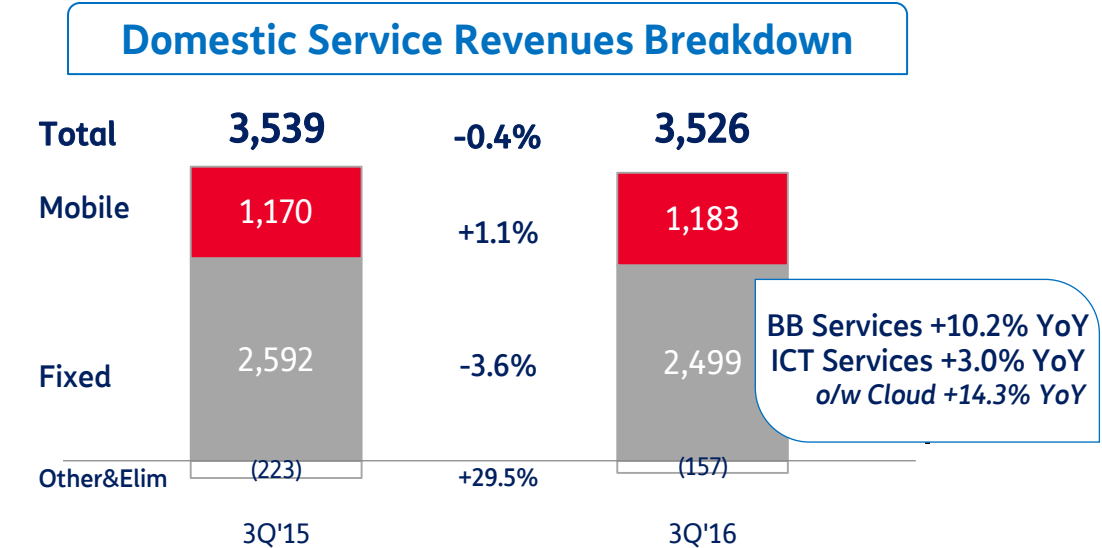
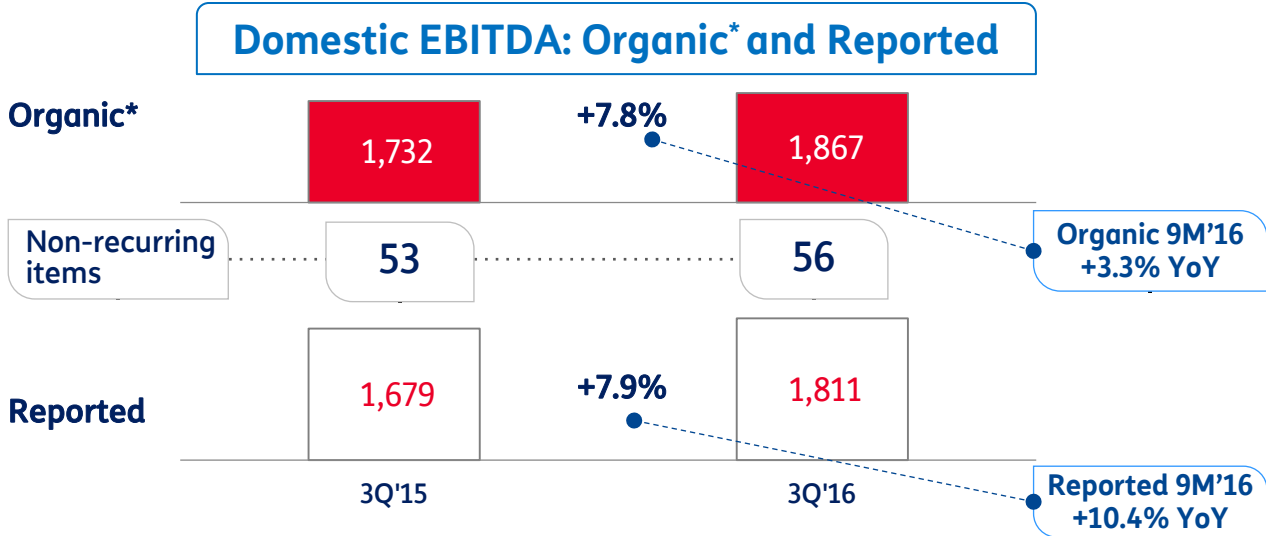
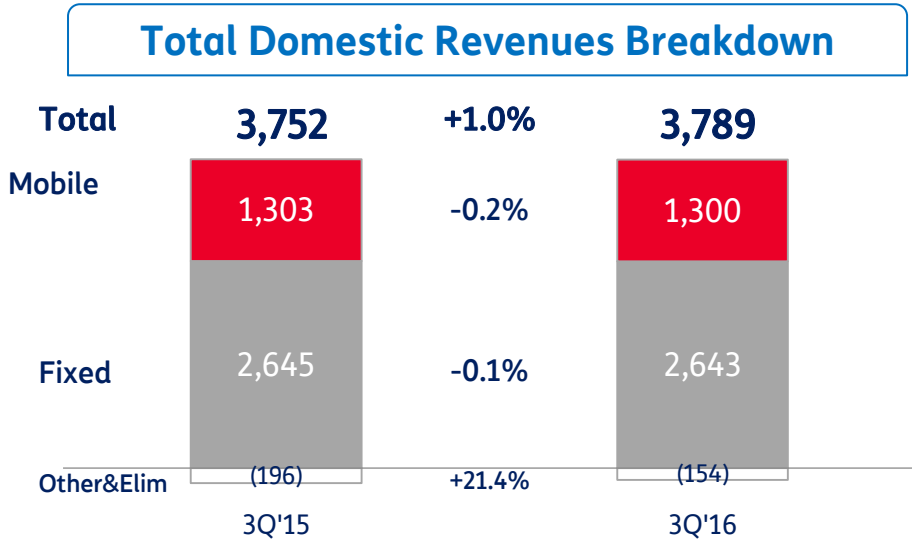
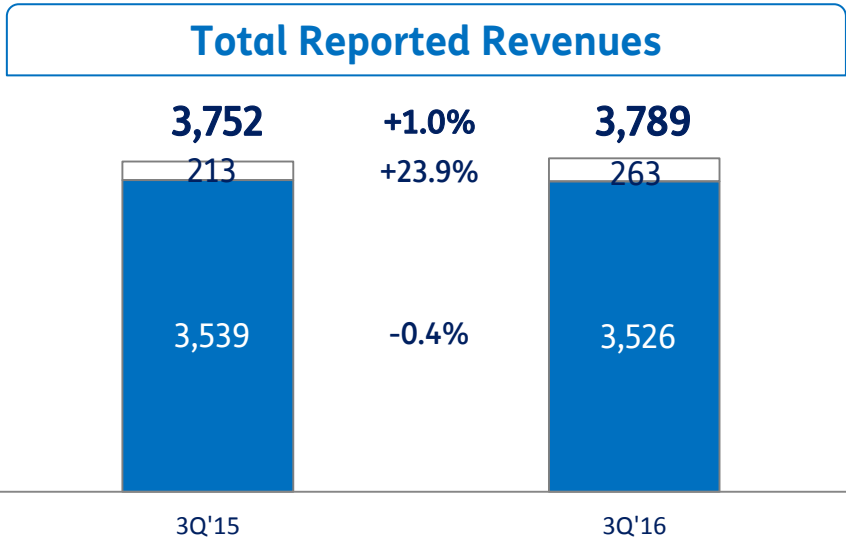
— 3Q'16 Results – Piergiorgio Peluso

Take-Aways – Flavio Cattaneo

Back-up

3Q'16 Revenues and EBITDA

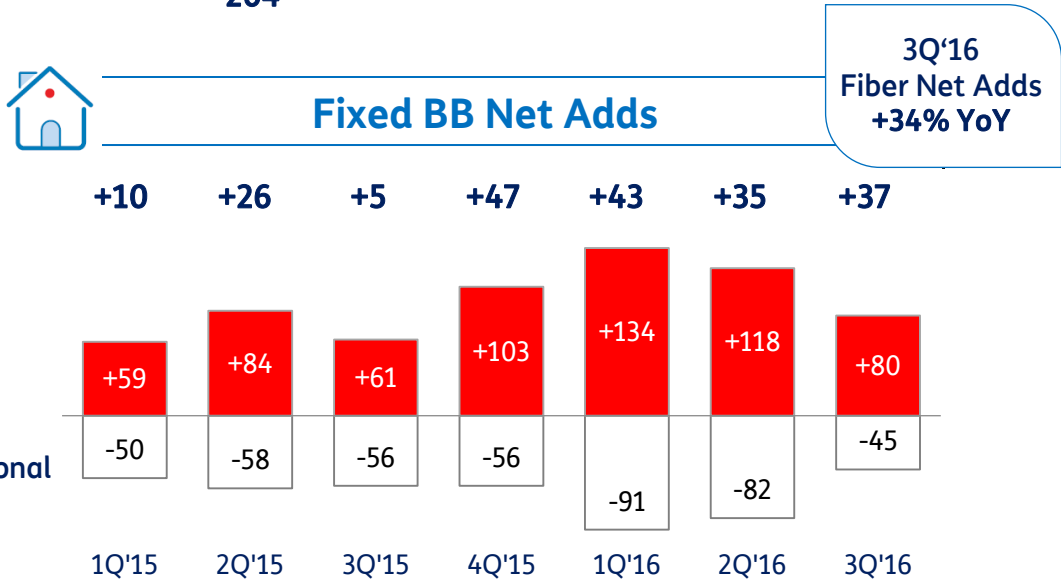
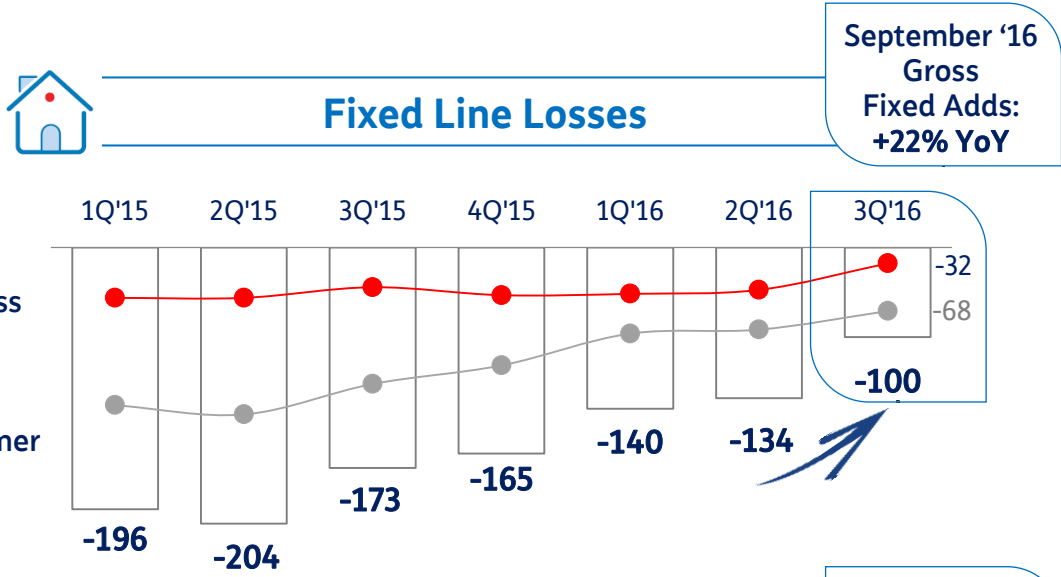
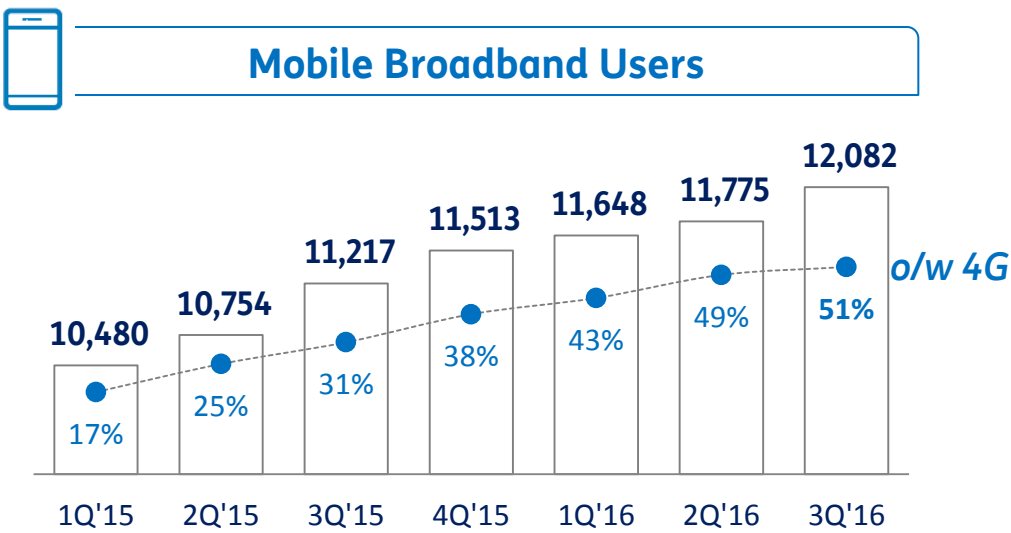
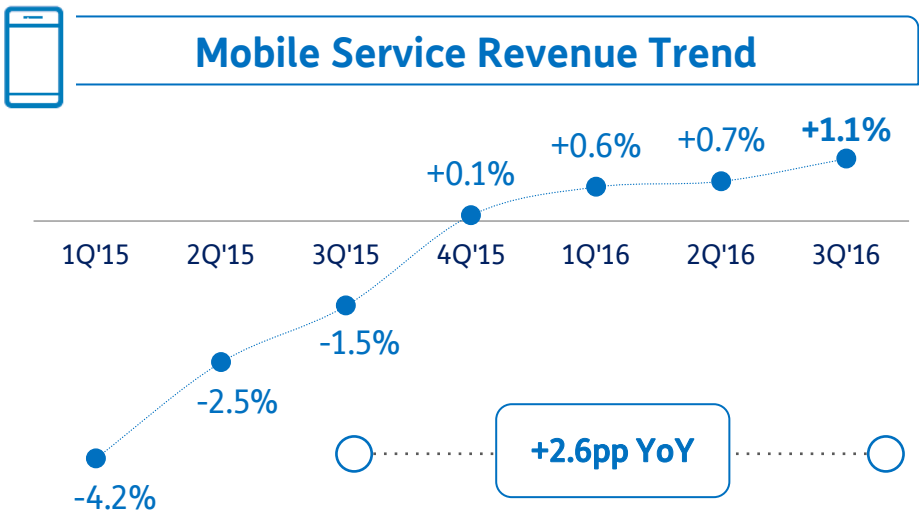
000, €mln, % YoY



* Organic: before non-recurring items and excluding exchange rate fluctuations

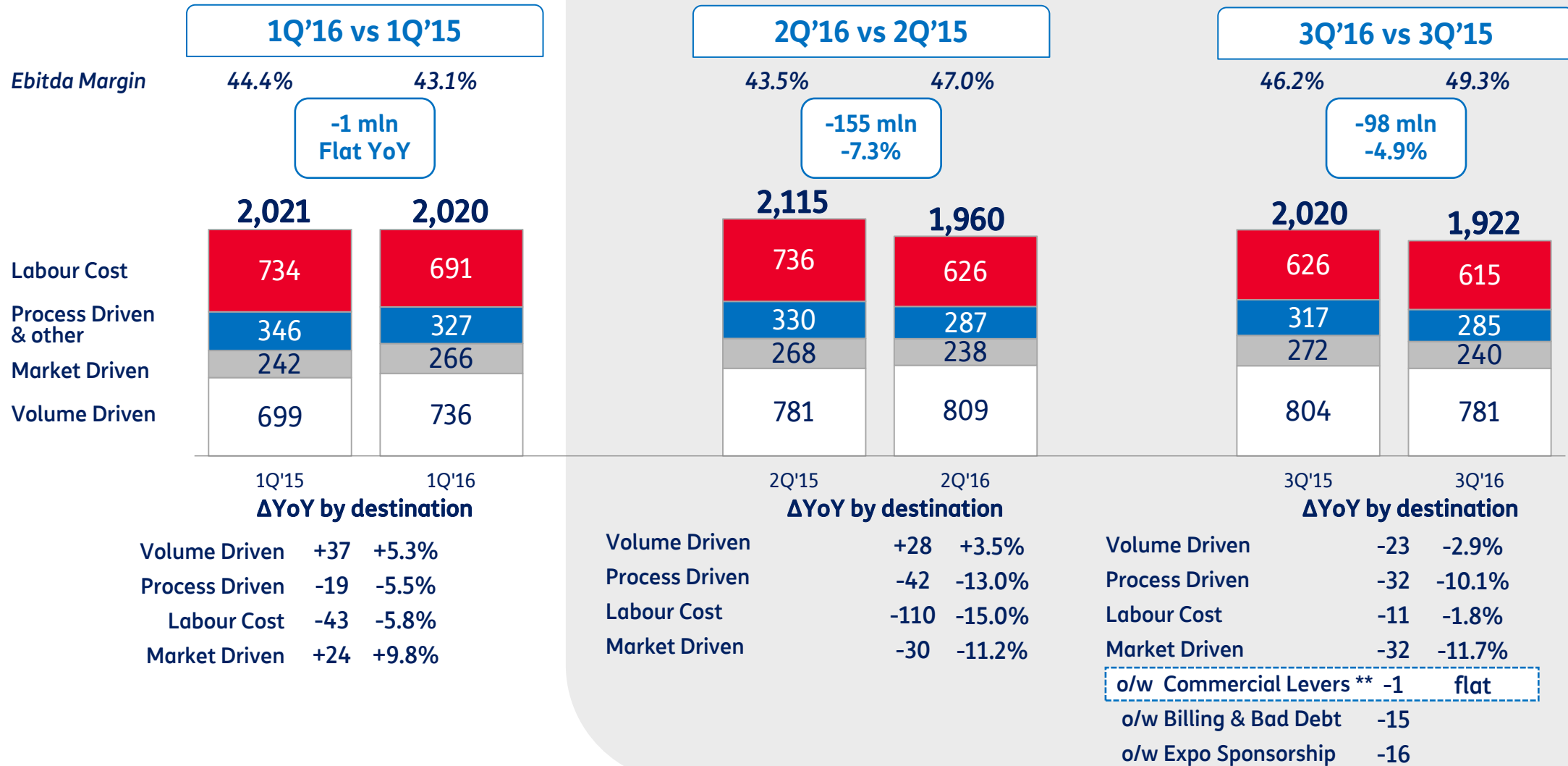
Mobile and Fixed Dashboard

000, €mln, % YoY



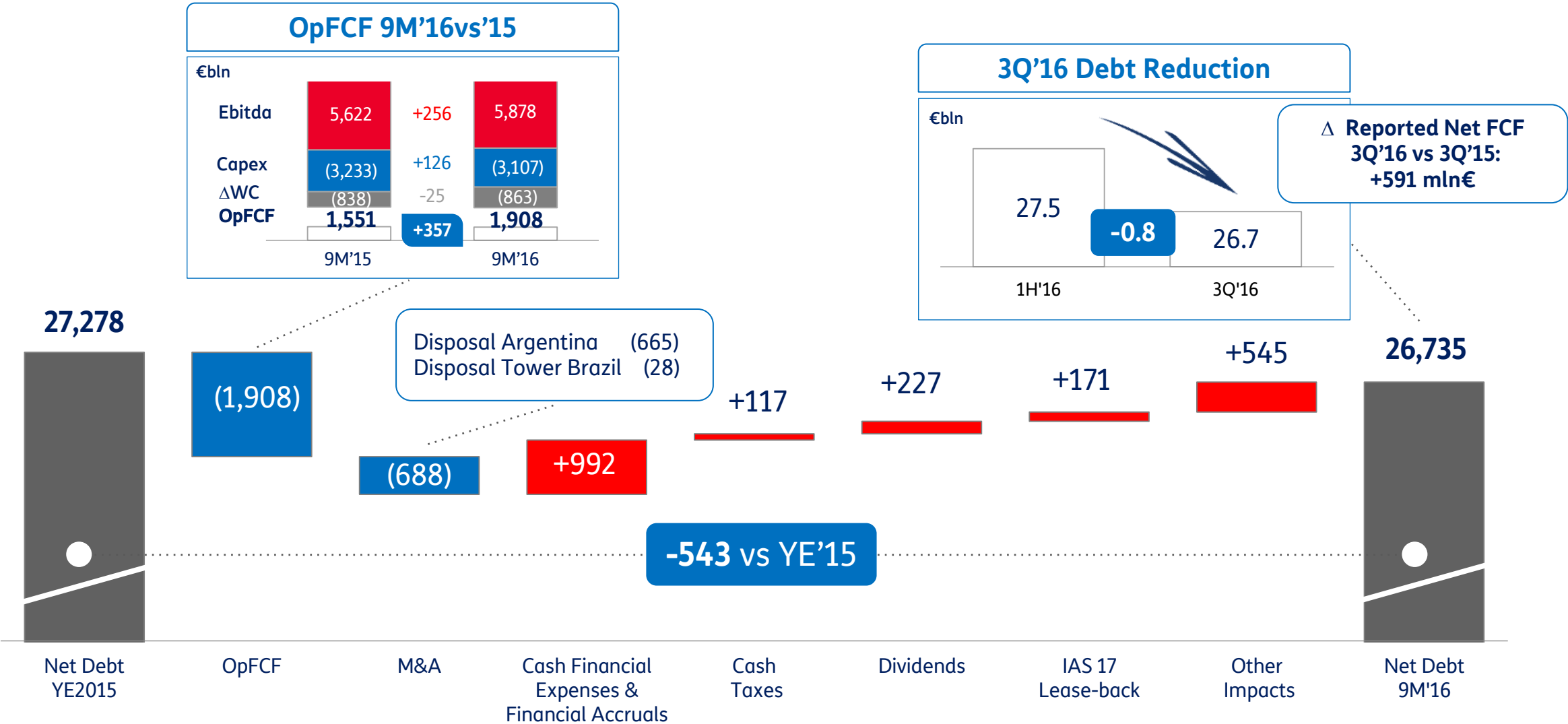
Opex Efficiencies continue to Accrue

Organic*



Net Debt: 3Q Step-down supported by Financial Discipline

€mln, % YoY



Agenda

Group Progress Overview - Flavio Cattaneo

3Q'16 Results - Piergiorgio Peluso

— **Take-Aways - Flavio Cattaneo**

Back-up

Guidance Update

Italy

- **NGAN coverage upgraded from 56% to ~60% YE'16 and from 75% to ~ 80% YE'17, with no increase of CAPEX targets***
- **LTE Coverage upgraded from 95% to >96% YE'16 and from 96% to 98% YE'17**
- **YE'18 NGN Customers target increased 10%, from 5mln to 5.5mln**
- **Lines losses reducing towards parity in current Plan scenario**
- **Increase in Efficiency Plan to be announced in February**

TIM Group

- **Capital Intensity is projected to drop below 20% in the medium term, in line with coverage targets fulfillment**
- **Operational and Financial Discipline fully supports <2.7x Net Debt/Ebitda target in 2018, without the need of any Disposal***

Agenda

Group Progress Overview – Flavio Cattaneo

3Q'16 Results – Piergiorgio Peluso

Take-Aways – Flavio Cattaneo

— Back-up

3Q'16 - TI Group Results Overview

Group

- Revenues: **€ 4.8 bln**
- EBITDA*: **€ 2.2 bln**

- Capex: **€ 1.1 bln**
- Net Debt: **€ 26.7 bln**

Domestic

- Revenues: **€ 3.8 bln**
- EBITDA*: **€ 1.9 bln**

- NGN: **13.6 mln** Households in **1,509** Cities
- 4G: **95%** of Population in **6,600** Cities

Brazil

- Revenues: **€ 1.1 bln**
- EBITDA*: **€ 0.4 bln**

- 4G: **746** Cities with **66%** of urban population covered
- 3G: **2,084** Cities with **83%** of urban population covered

Inwit

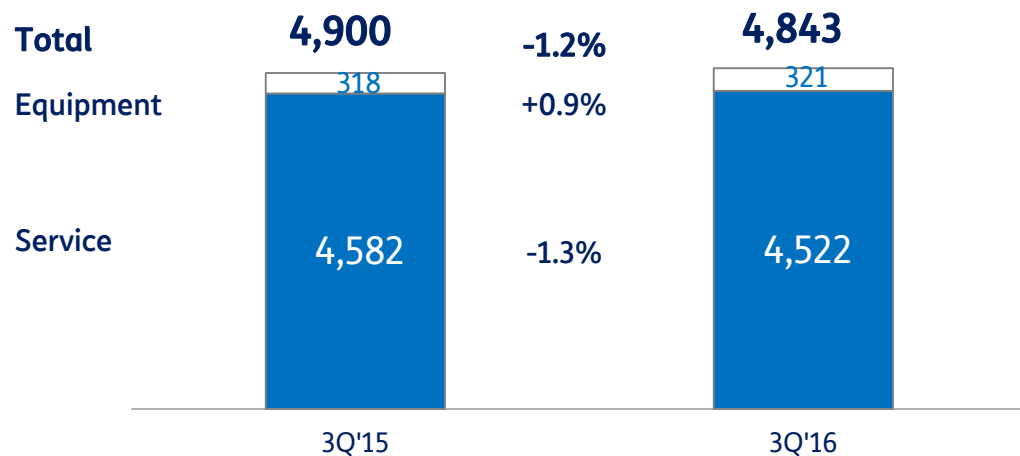
- Revenues: **€ 83.9 mln**
- EBITDA*: **€ 41.7 mln**

- Tenancy Ratio: **1.70x**
- Ebitda Growth: **+15% YoY**

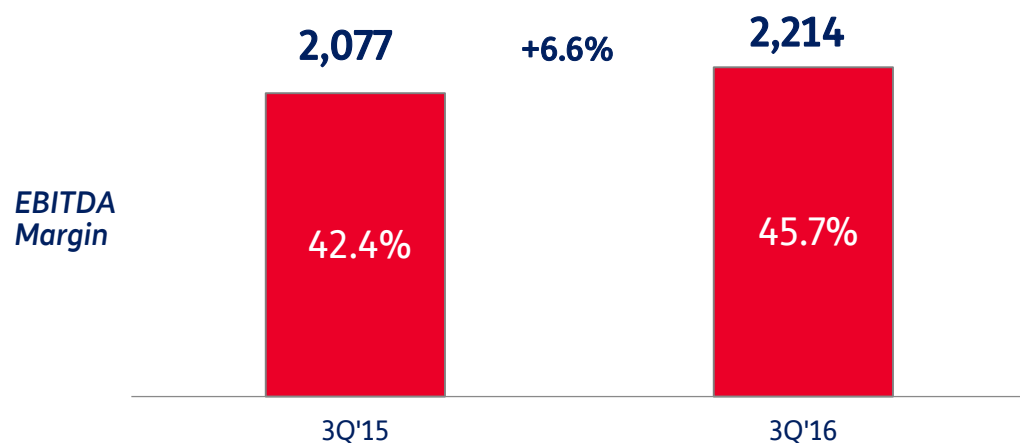
Group 3Q'16: Organic Revenues and EBITDA

Organic*, €mln, % YoY

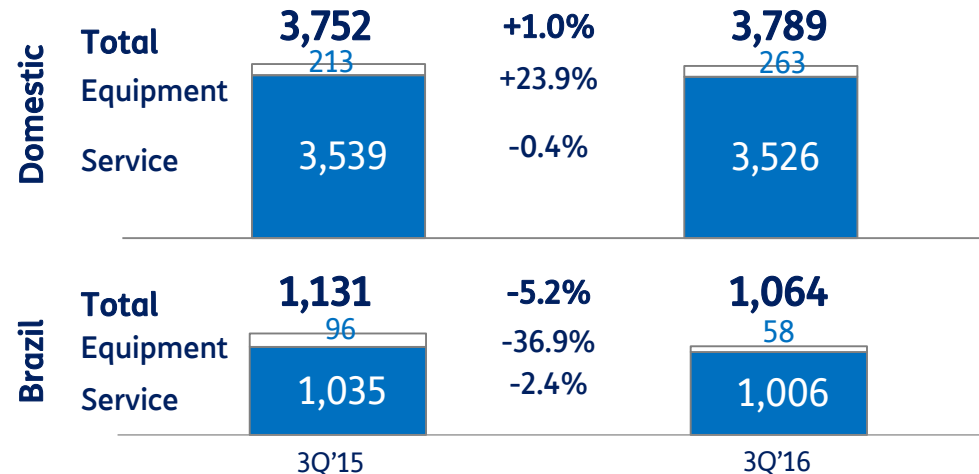
Group Revenues



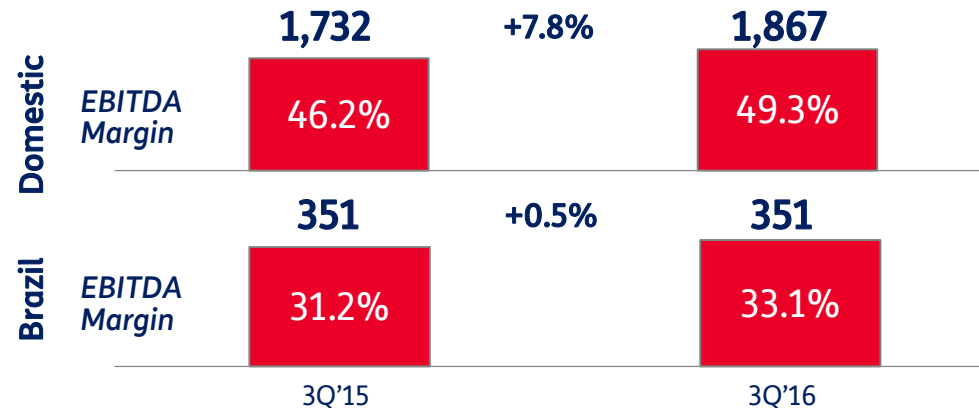
Group EBITDA



Revenue Breakdown



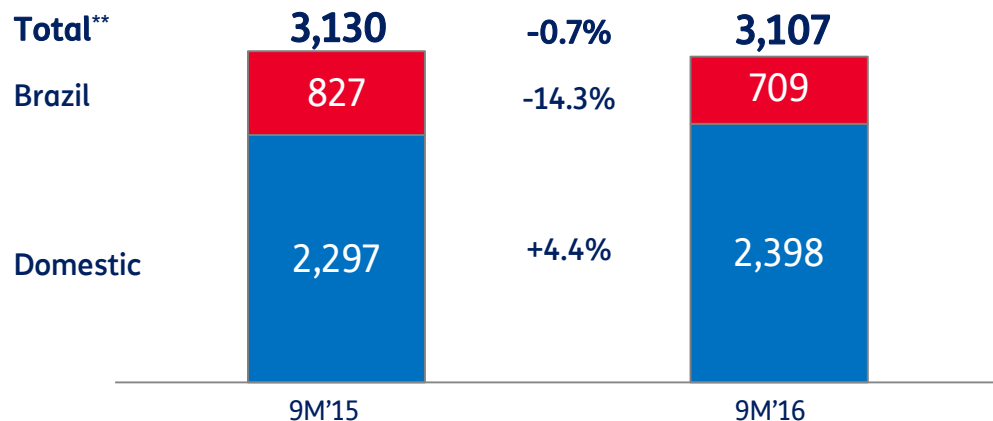
EBITDA Breakdown



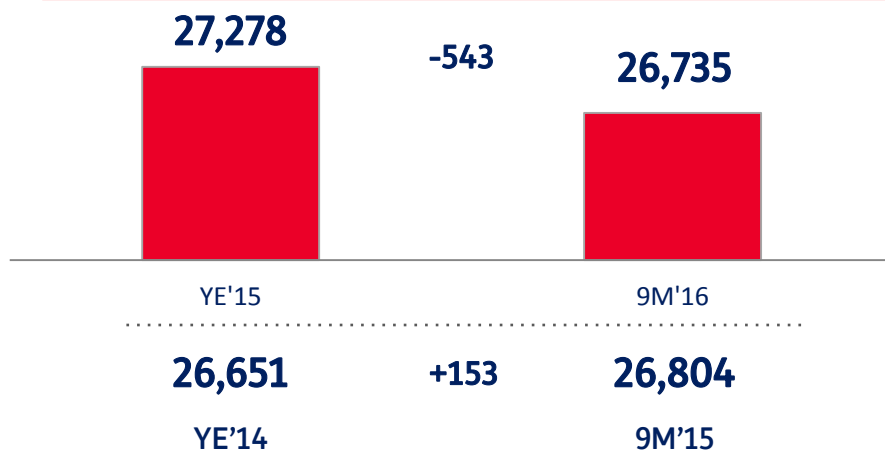
Group 9M'16: Capex and Net Debt

€mln, % YoY

Group Organic* Capex



Adjusted Net Debt



Capex Highlights

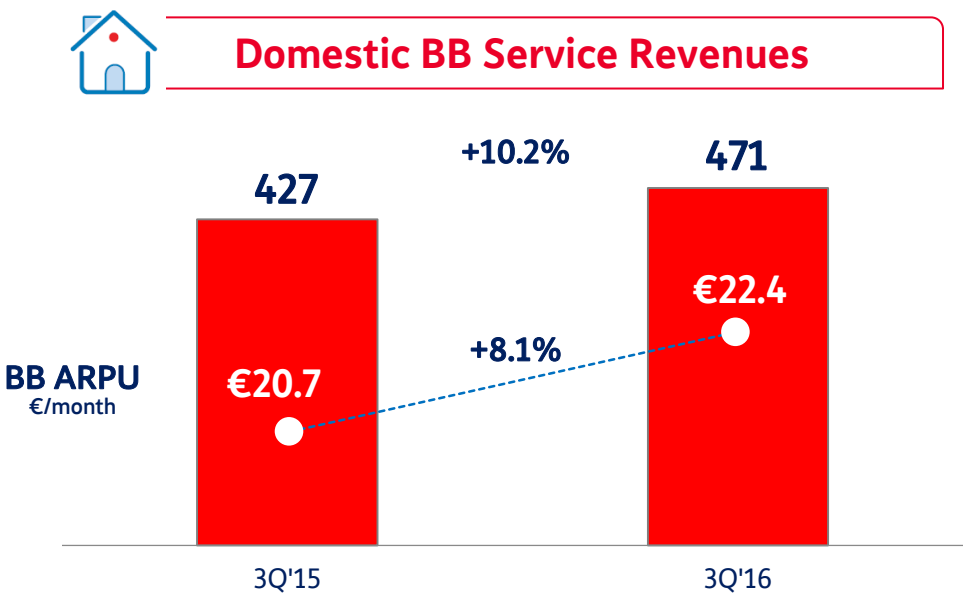
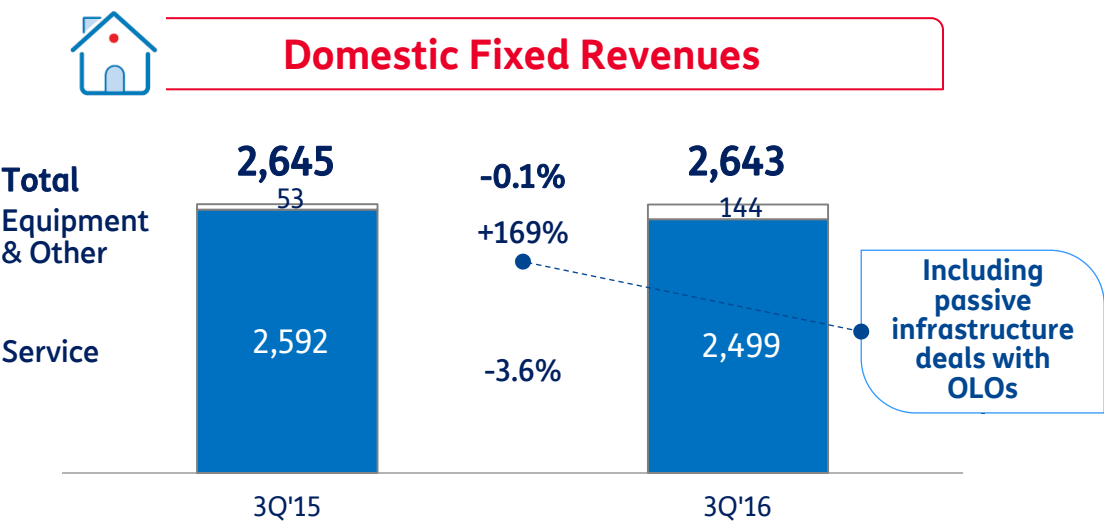
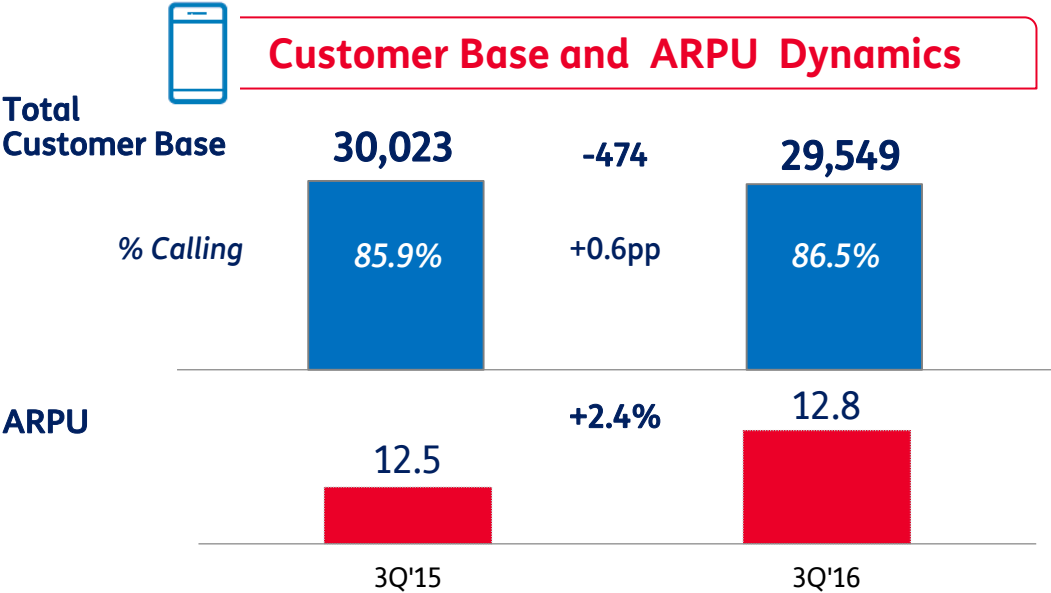
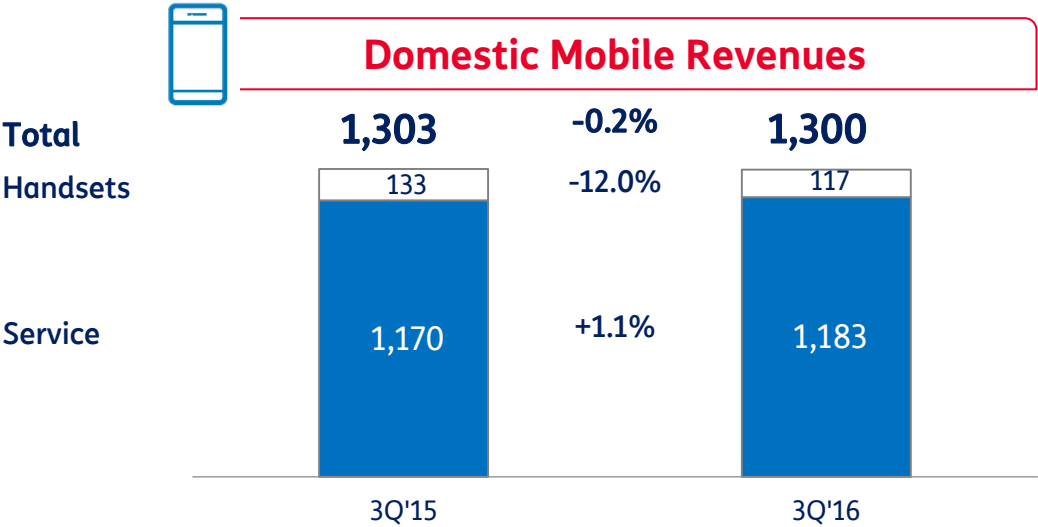
- Group Capex reduction due to different dynamics:
 - Efficiencies also from lower procurement costs despite higher **Investments on Innovative Services in Brazil**
 - More investment in **Italy** mainly driven by **UBB Network roll-out & Transformational Projects**

Net Debt Highlights

- The **9M16 Net Cash Flow** at the Group level was **543 million euro** due to the strong **OFCF generation (1.908 mln euro)** fully generated in the **Domestic Business (1.937 mln euro)**

Mobile and Fixed Performance

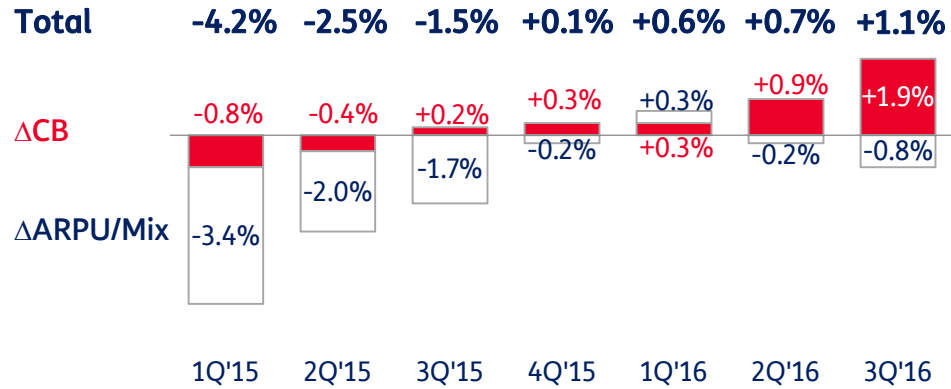
000, €mln, % YoY



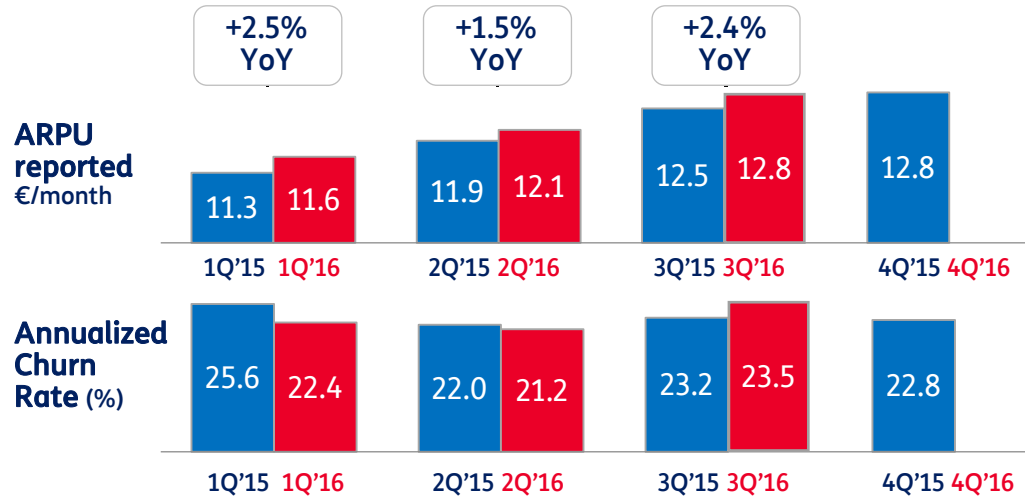
Domestic Mobile Details

000, €mln, % YoY

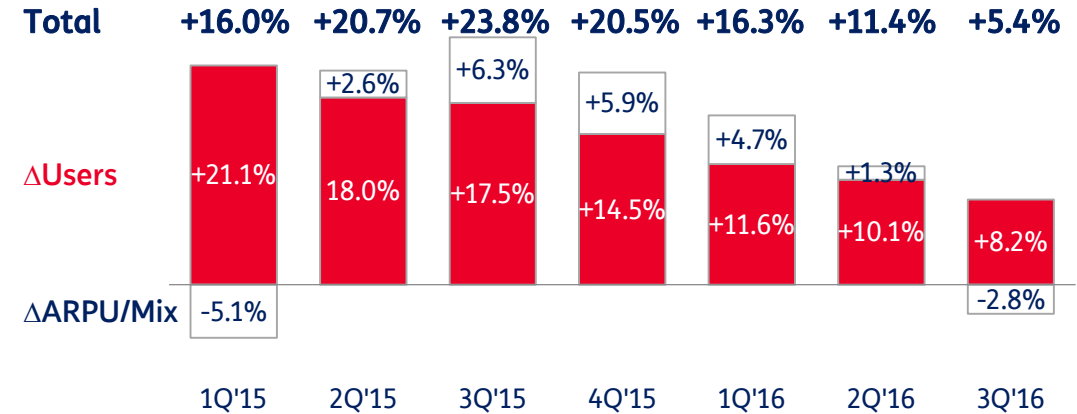
Mobile Service Revenues Trend



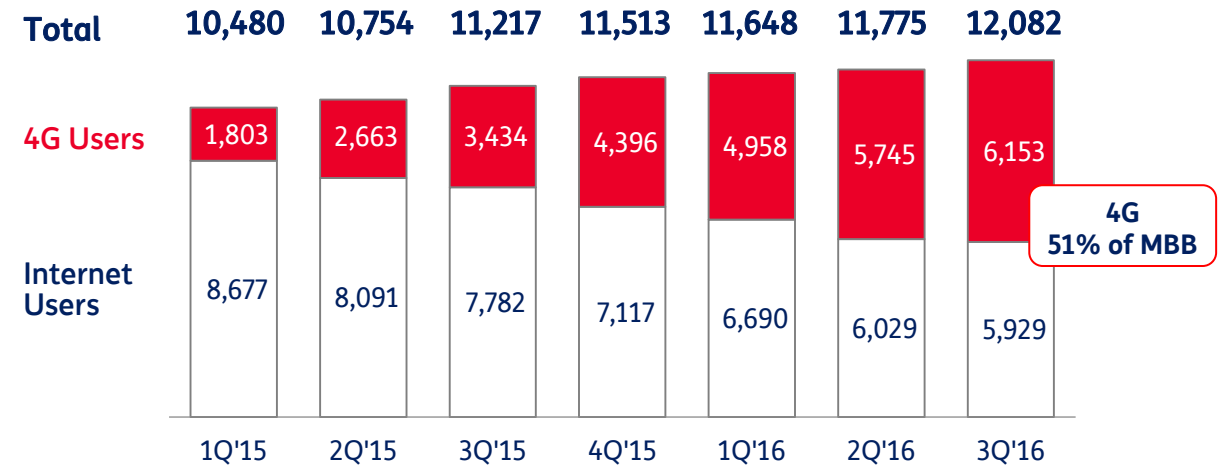
ARPU & Churn Rate



Mobile BB Service Revenues Trend



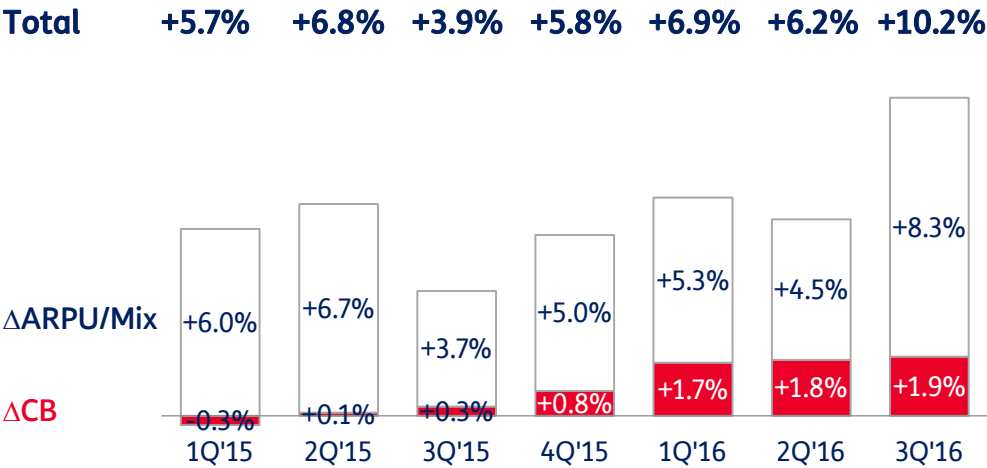
Mobile BB Customer Base



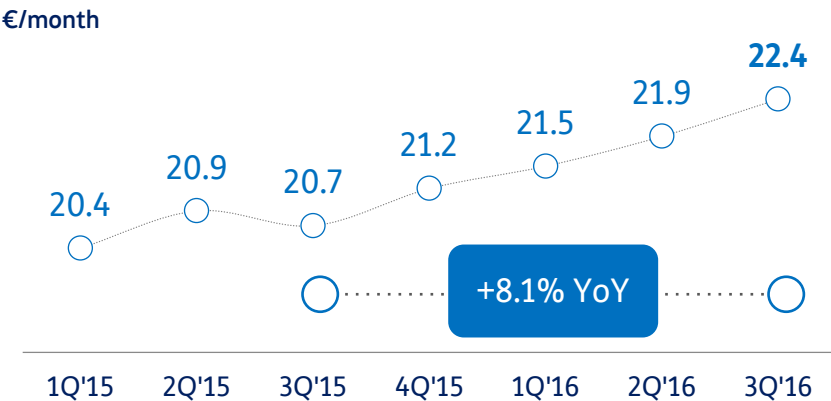
Domestic Fixed Details

000, €mln, % YoY

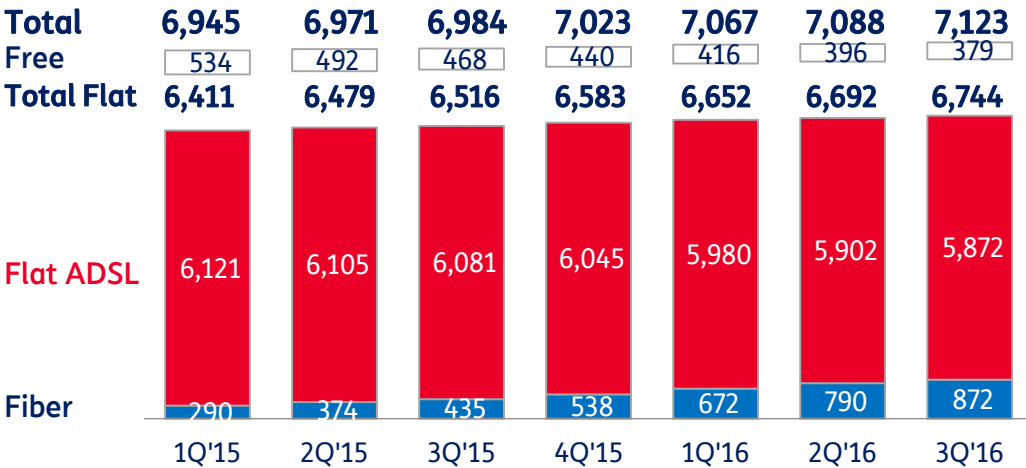
Fixed BB Service Revenues Trend



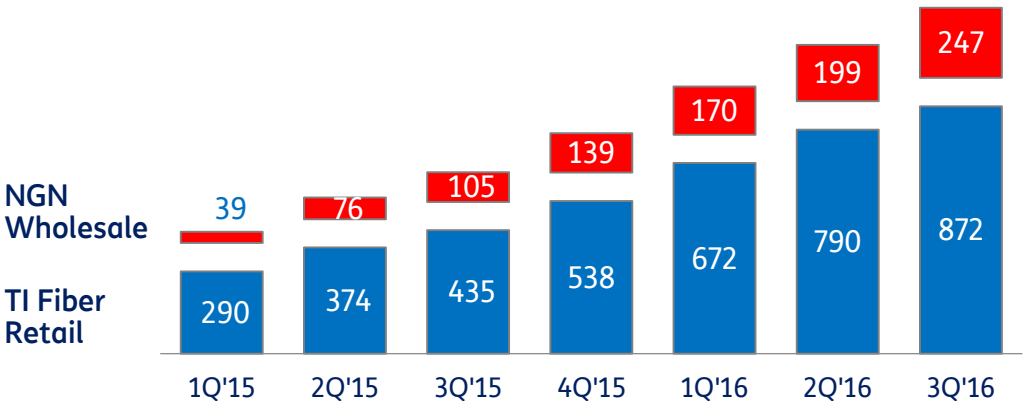
Fixed BB ARPU



Fixed BB Customer Base



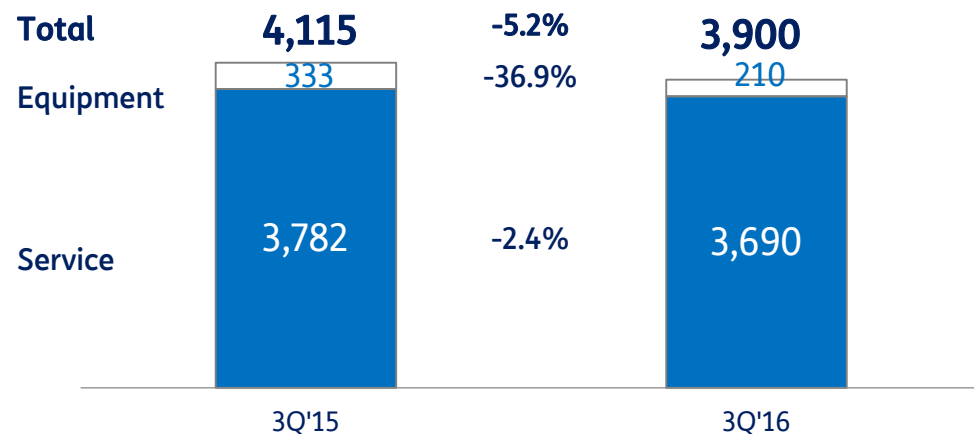
Focus on Fiber Users



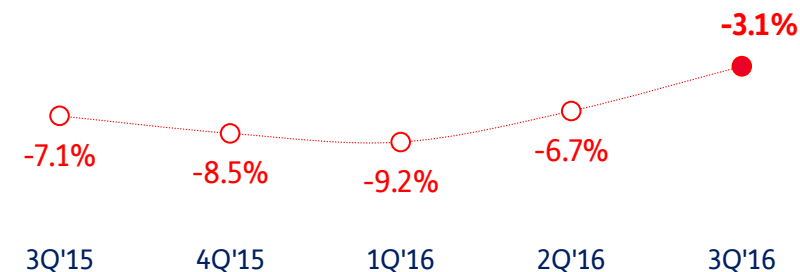
TIM Brasil: 3Q'16 Results

R\$mln, % YoY

Revenues

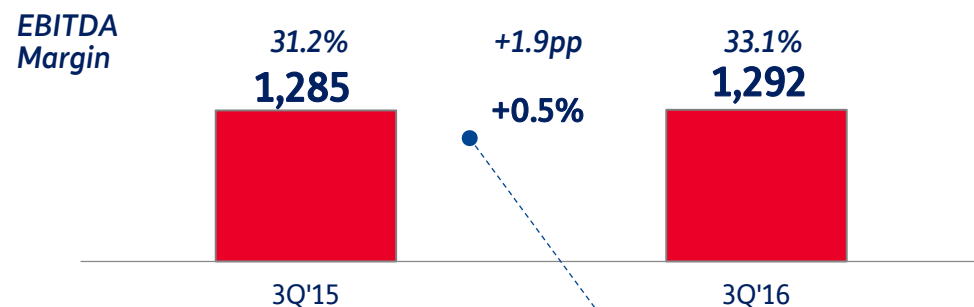


Focus on Mobile Service Revenues YoY



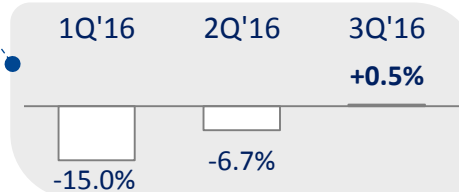
Mobile Service Revenues (YoY%) confirm their rebound

Organic EBITDA*

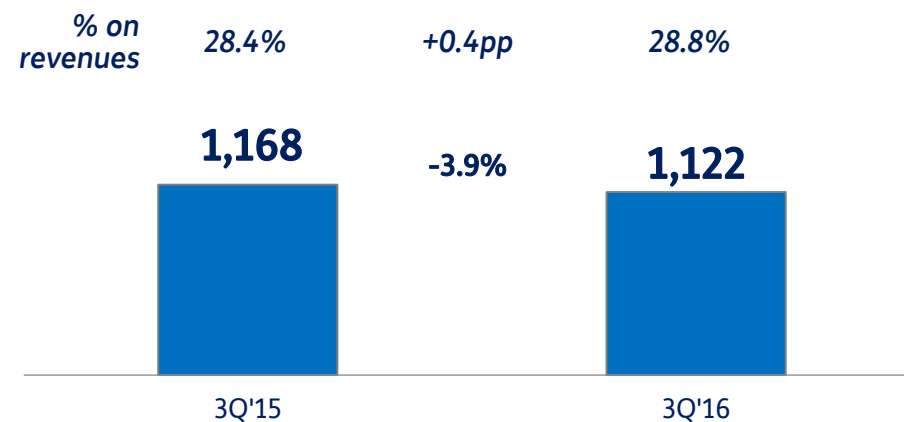


EBITDA performance improving and better margins backed by:

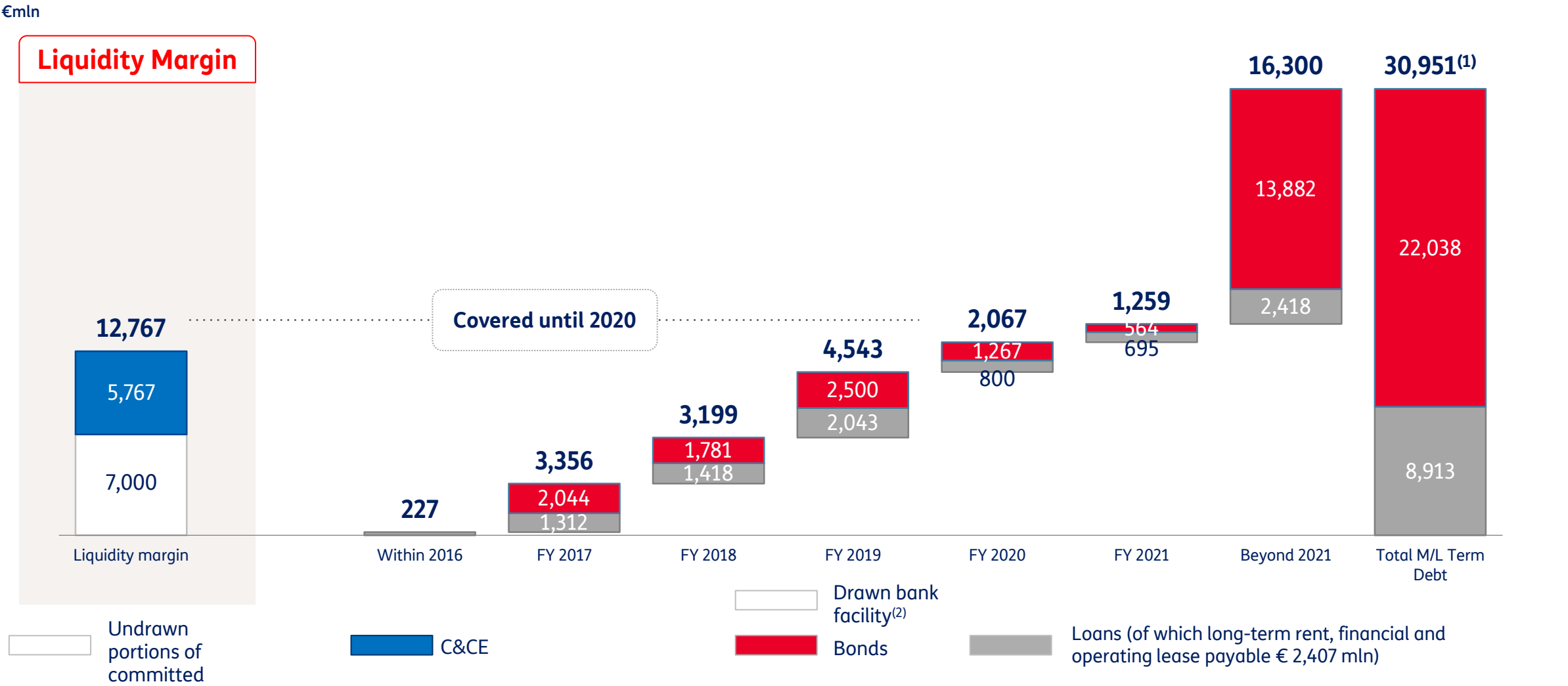
- Higher data services penetration
- Well executed efficiency plan
- Lighter impacts from MTR and handset business



Capex



Maturities and Liquidity Margin

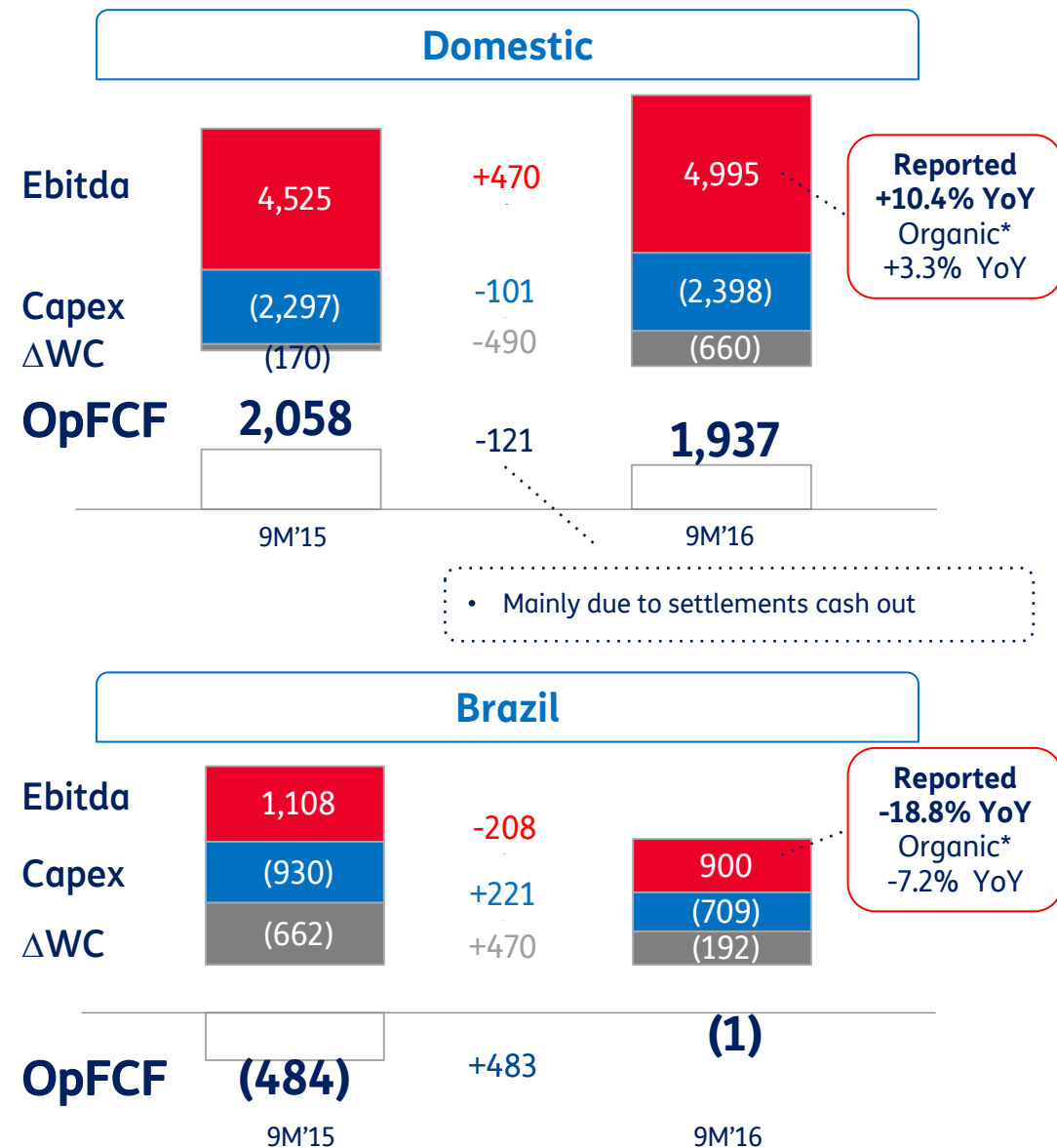
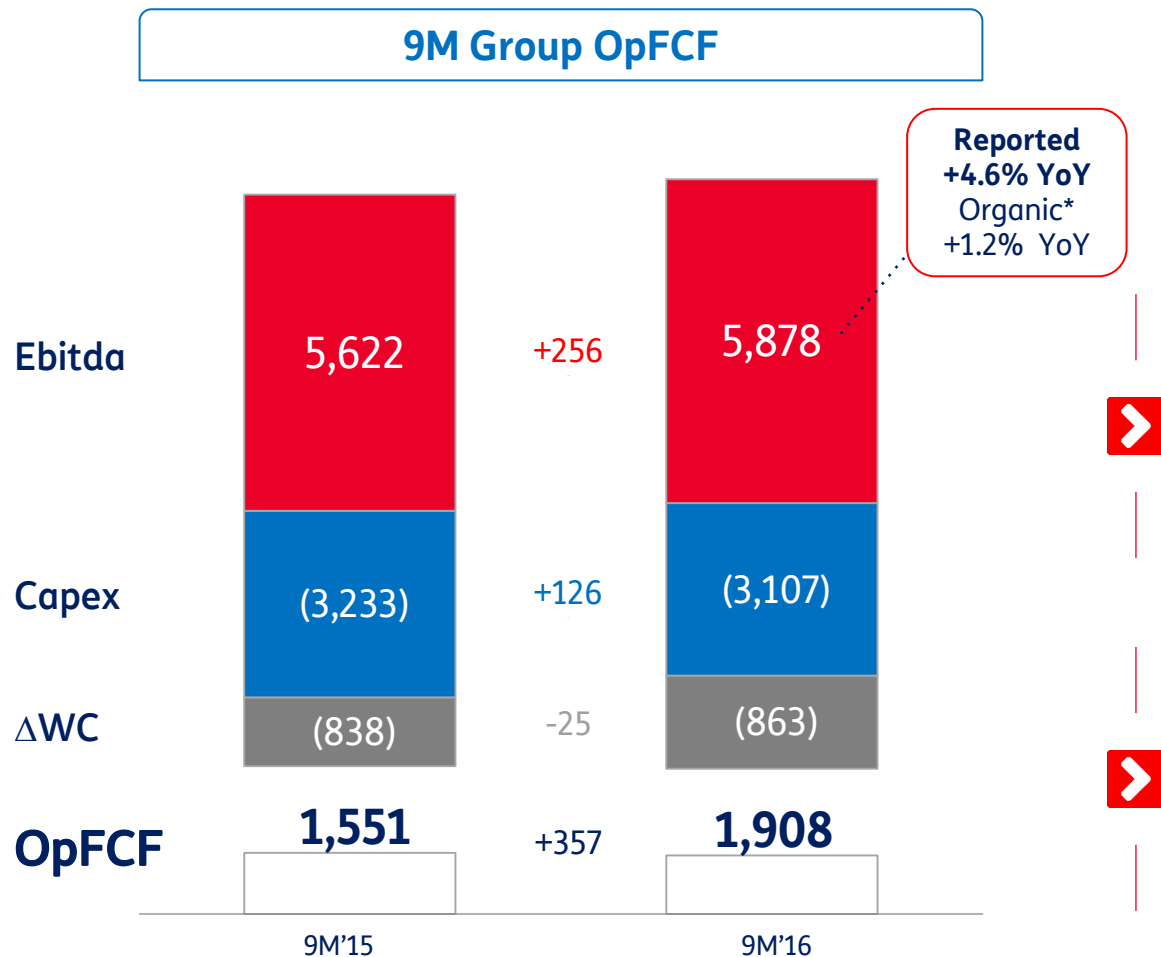


(1) € 30.951 mln is the nominal amount of outstanding medium-long term debt. By adding Mandatory Convertible Bond (€ 1.300 mln), IAS adjustments (€ 1.237 mln) and current financial liabilities (€ 803 mln), the gross debt figure of € 34.291 mln is reached.

(2) Committed Bank lines are undrawn

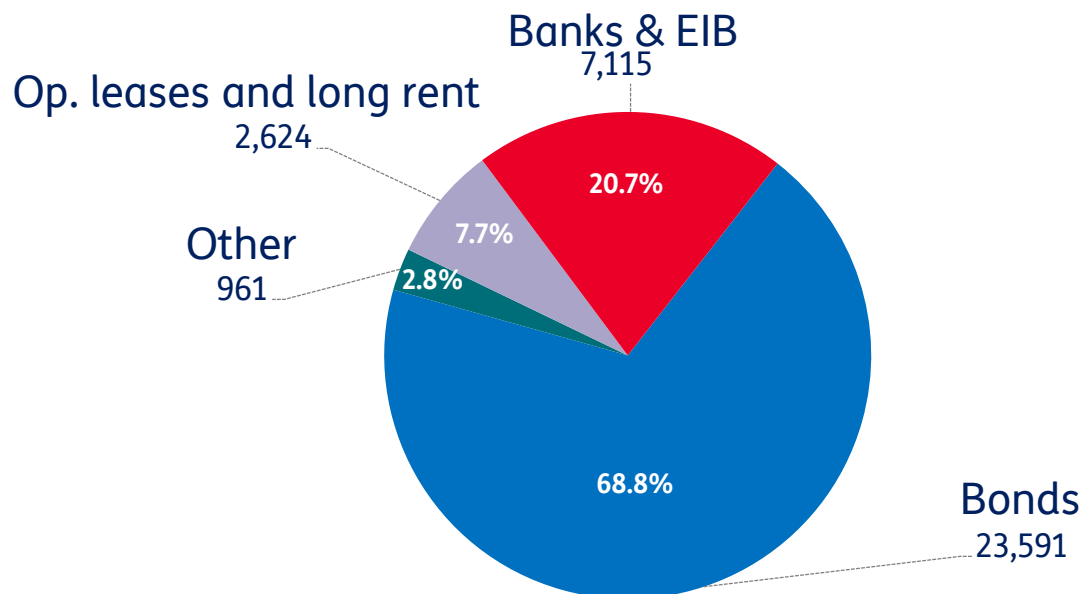
OpFCF Generation in 9M'16

€mln, Reported, % YoY



Well Diversified and Hedged Debt

€mln



Gross debt

34,291

Financial Assets

(7,556)

of which C&CE and marketable securities

(5,767)

- C & CE

(4,275)

- Marketable securities

(1,492)

- Government Securities

(746)

- Other

(746)

Net financial position

26,735

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 2.338 €/mln (of which 370 €/mln on bonds)

- the impact on Financial Assets is equal to 1.662 €/mln.

Therefore, the Net Financial Indebtedness is adjusted by 676 €/mln.

N.B. The difference between total financial assets (€ 7.556 mln) and C&CE and marketable securities (€ 5.767 mln) is equal to € 1.789 mln and refers to positive MTM derivatives (accrued interests and exchange rate) for € 1.440 mln, financial receivables for lease for € 177 mln, deposits beyond 3 months for € 100 mln and other credits for € 72 mln.

Maturities and Risk Management

Average m/l term maturity:
7.75 years (bond only 8.15 years)

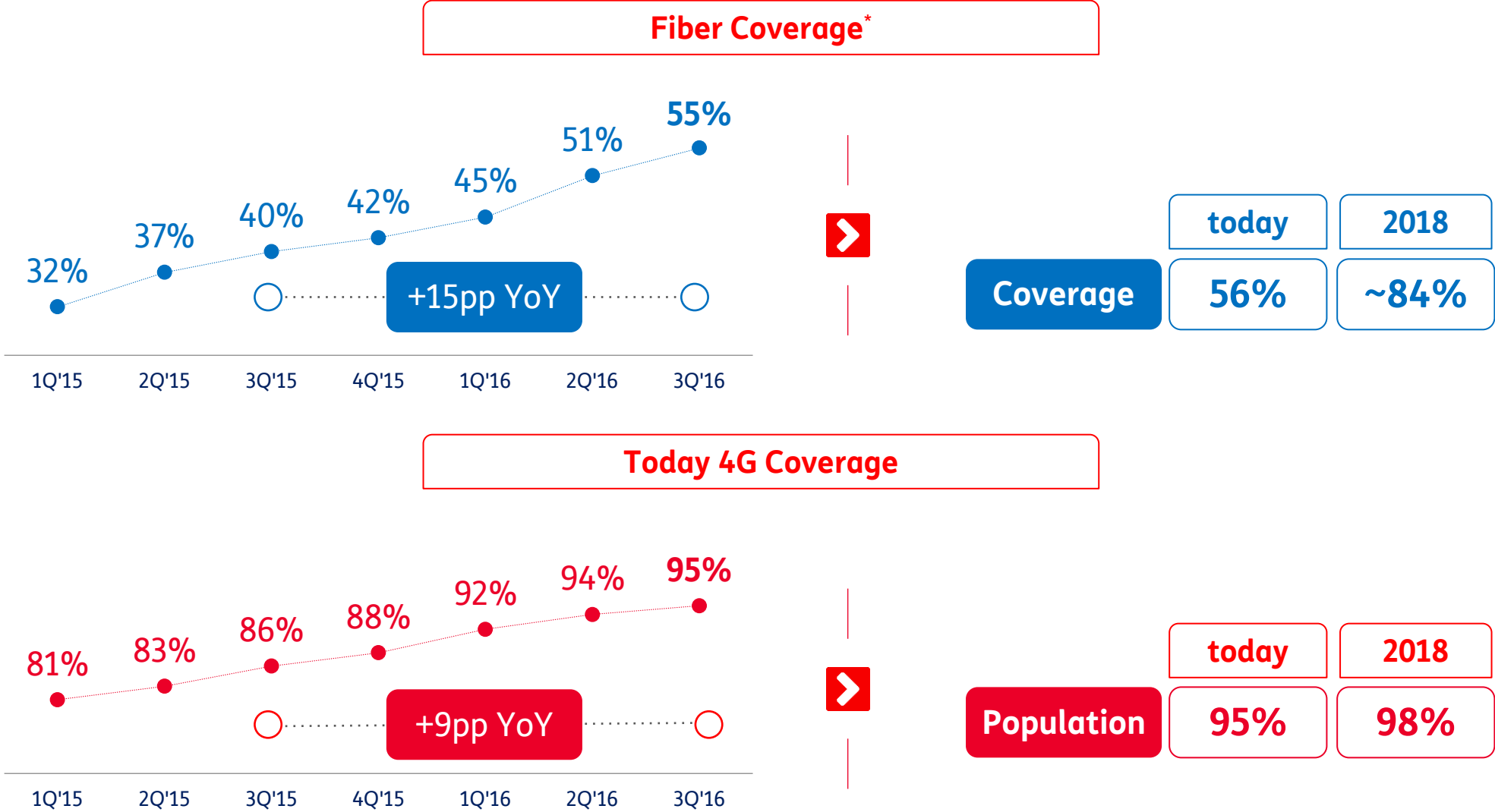
Fixed rate portion on gross debt approximately **70.8%**

Around **36% of outstanding bonds** (nominal amount) denominated in **USD and GBP** and is fully hedged



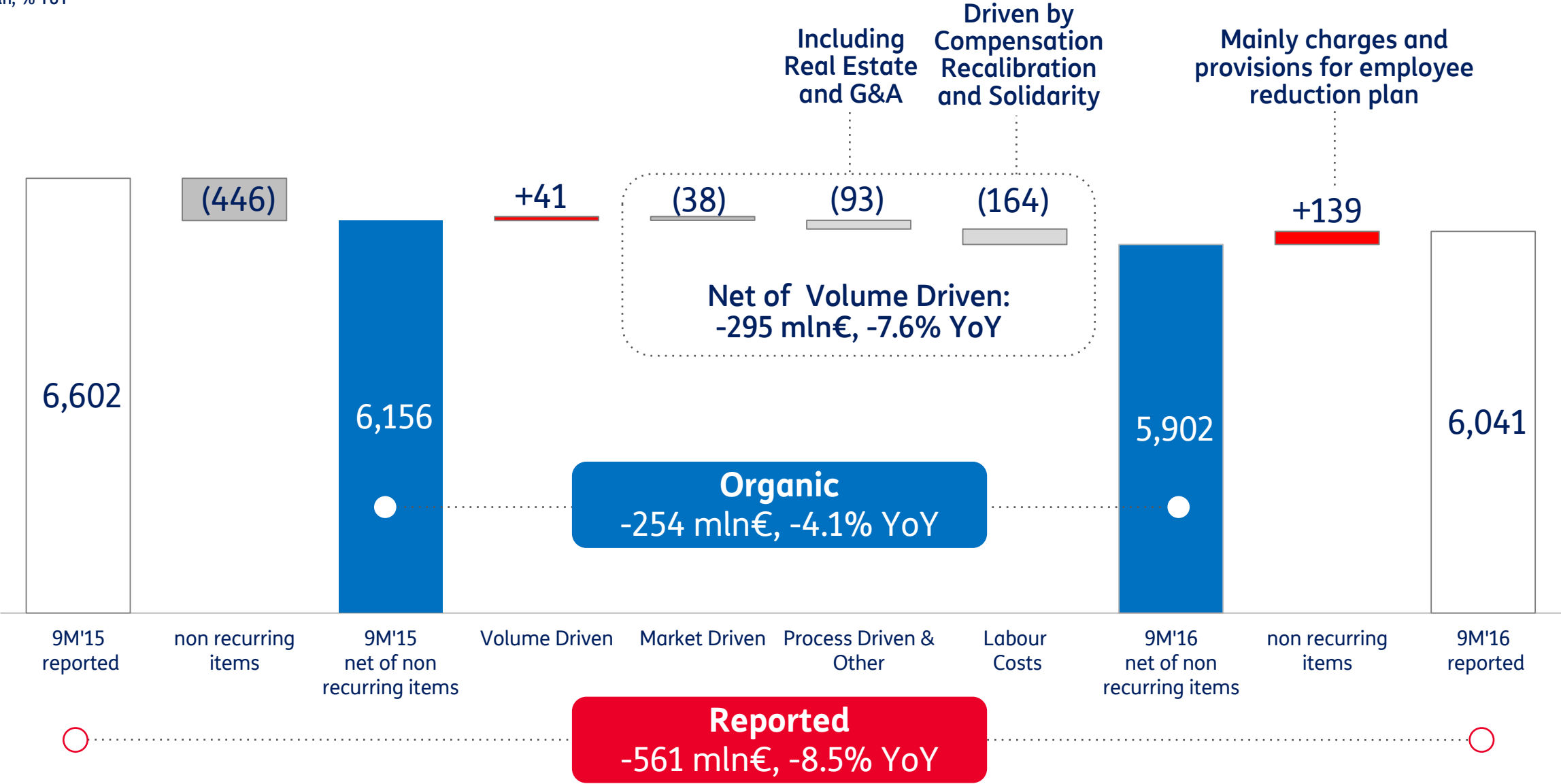
Cost of debt: ~5.1 %

Domestic Fiber and LTE Coverage Trend



Focus on Domestic Opex

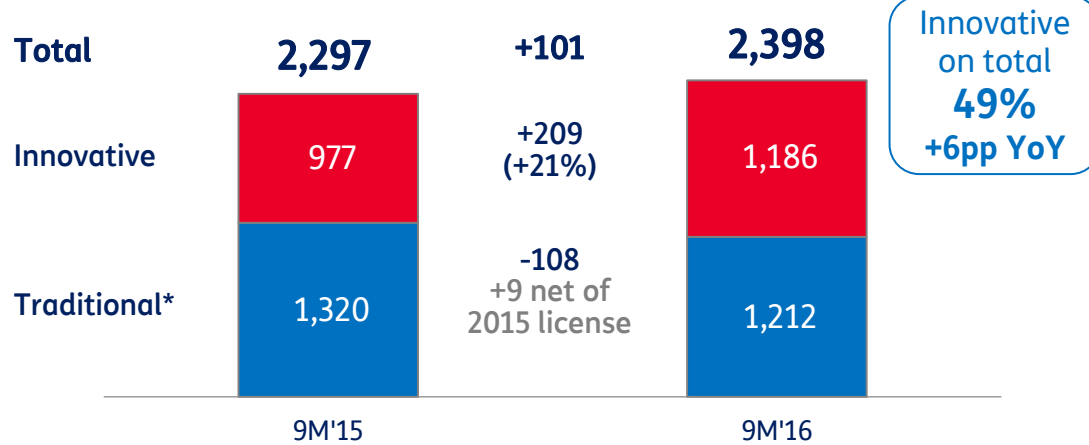
€mln, % YoY



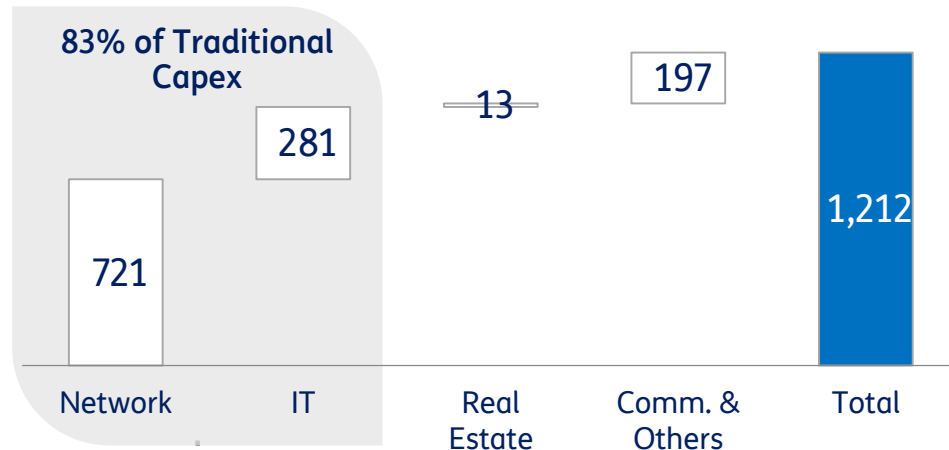
9M'16 Domestic: Focus on Investments

€mln

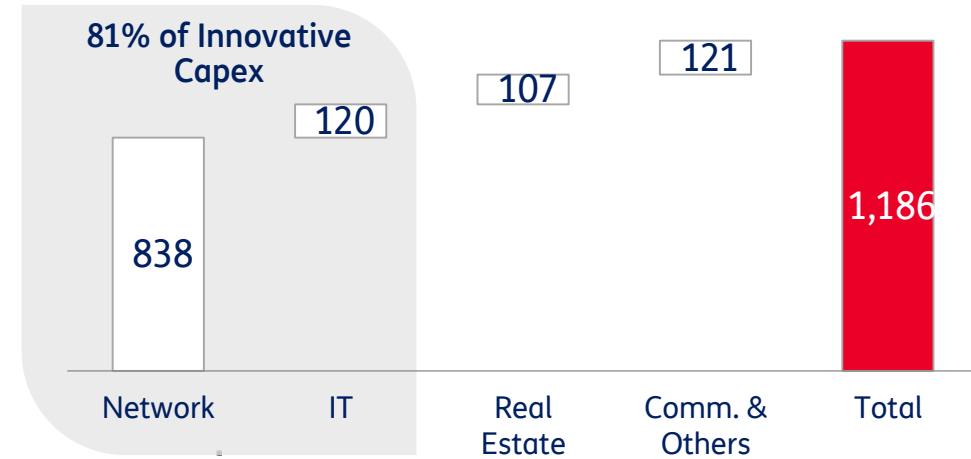
Total Domestic Capex



Traditional Capex Breakdown



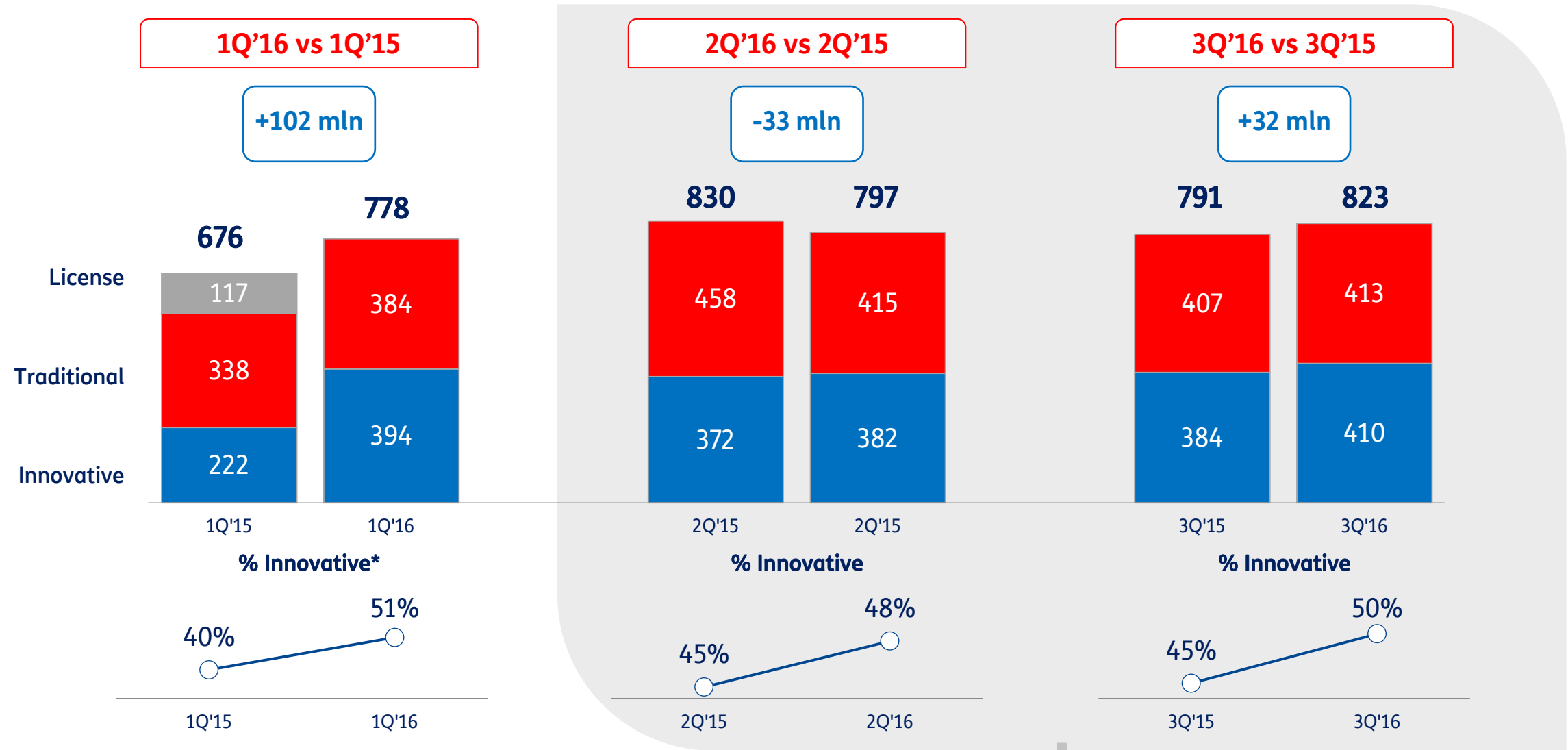
Innovative Capex Breakdown



Domestic Capex Highlights

- Innovative Investments (+209 €mln YoY) driven by a faster pace in LTE, NGN and Cloud Services
- 81% of Innovative Capex and 83% of Traditional Capex are Network and IT, indicating strong focus on Infrastructure

Domestic Capex Breakdown



Domestic - Cash Cost Efficiency Dashboard

Run rate @2018	Original '16-'18 Efficiency Target		Additional Efficiency '16-'18 Target	New Efficiency '16-'18 Target
Process Driven Costs	0.2 bln€	➤	+0.12 bln€	0.32 bln€
Market Driven Costs	0.1 bln€	➤	+0.13 bln€	0.23 bln€
Labour Costs	0.1 bln€	➤	+0.1 bln€	0.2 bln€
Other Costs	-	➤	+0.05 bln €	0.05 bln€
Total Opex	0.4 bln€		+0.4 bln€	0.8 bln€
Traditional	0.2 bln€	➤	+0.3 bln€	0.5 bln€
NGN Optimization	-	➤	+0.15 bln€	0.15 bln€
Real Estate & Other	-	➤	+0.15 bln€	0.15 bln€
Total Capex	0.2 bln€		+0.6 bln€	0.8 bln€
Total Cash Cost Efficiency	0.6 bln€		+1.0 bln€	1.6 bln€

TIM Brasil - Cash Cost Efficiency Dashboard*

Run rate 2018 vs 2015	Old Plan	New Plan	Δ NEW vs OLD
OPEX	R\$ -0.6bln	R\$ 0.6bln**	R\$ +1.2bln
CAPEX	R\$ 0.5bln	R\$ 0.9bln	R\$ +0.4bln
TOTAL	R\$ -0.1bln	R\$ 1.5bln	R\$ +1.6bln

For further questions please contact the IR Team

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