



1Q'17 Results

May 3, 2017

1Q'17 Results

TELECOM ITALIA GROUP

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, 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 TIM 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, TIM 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 financial and operating data have been extracted or derived, with the exception of some data, from the Condensed Consolidated Financial Statements at 31 March 2017 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 at 31 March 2017 have been applied on a basis consistent with those adopted in the Annual Consolidated Financial Statements at 31 December 2016.

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

Agenda

— 1Q'17 TIM Group Results - Flavio Cattaneo

Financial Highlights - Piergiorgio Peluso

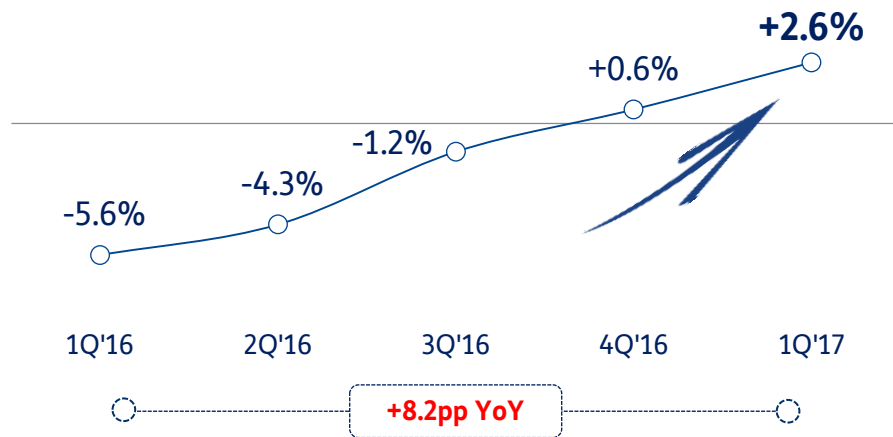
Take-Aways - Flavio Cattaneo

Back-up

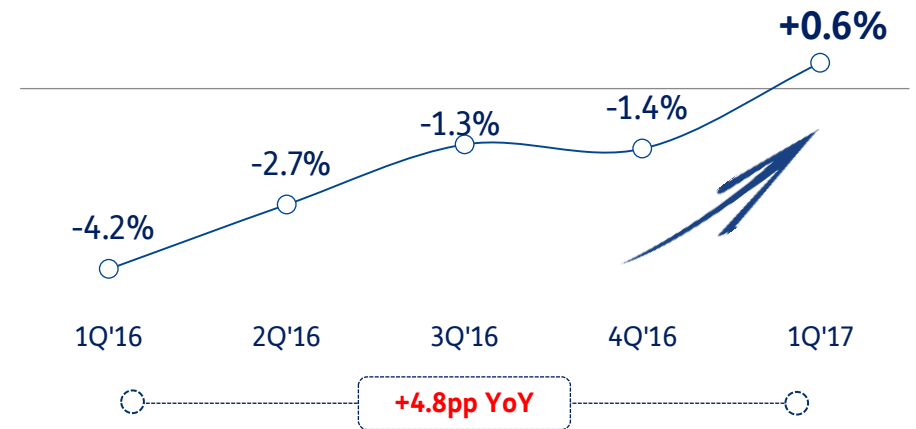
Group 1Q'17 Highlights: The Turnaround Continues

Organic data, YoY Performance

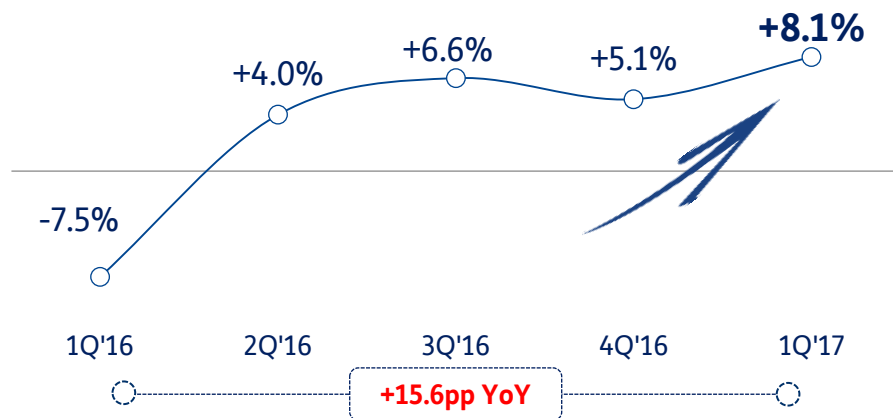
Total Revenues



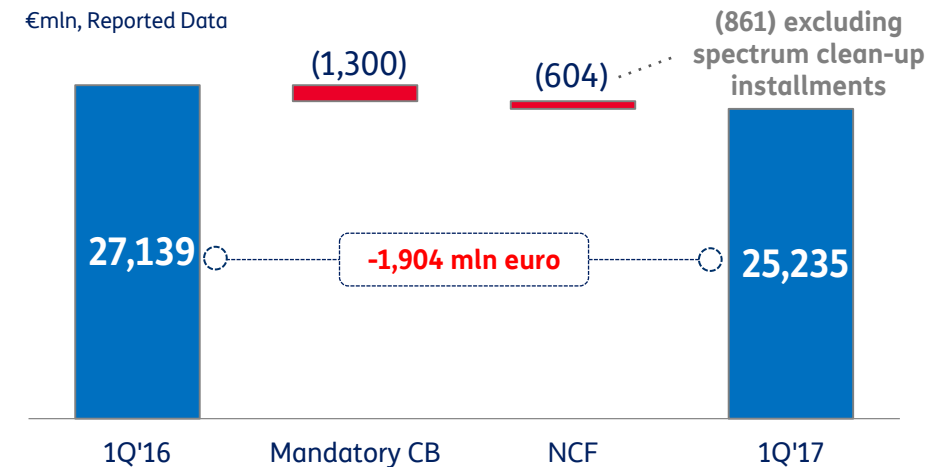
Service Revenues



Ebitda



Adjusted Net Debt

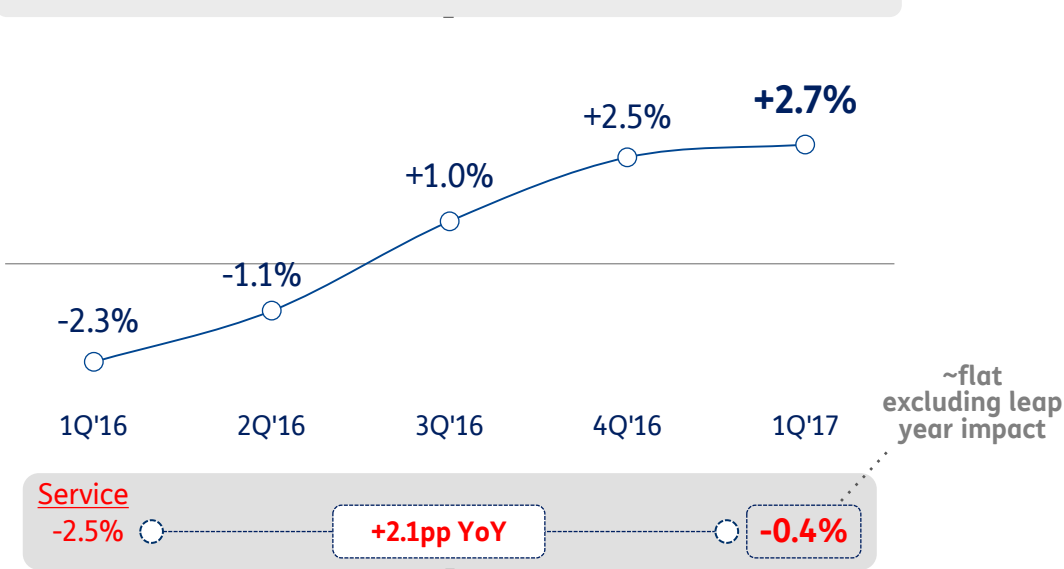


Domestic & Brazil 1Q'17: We Got Rid of All Negative Signs

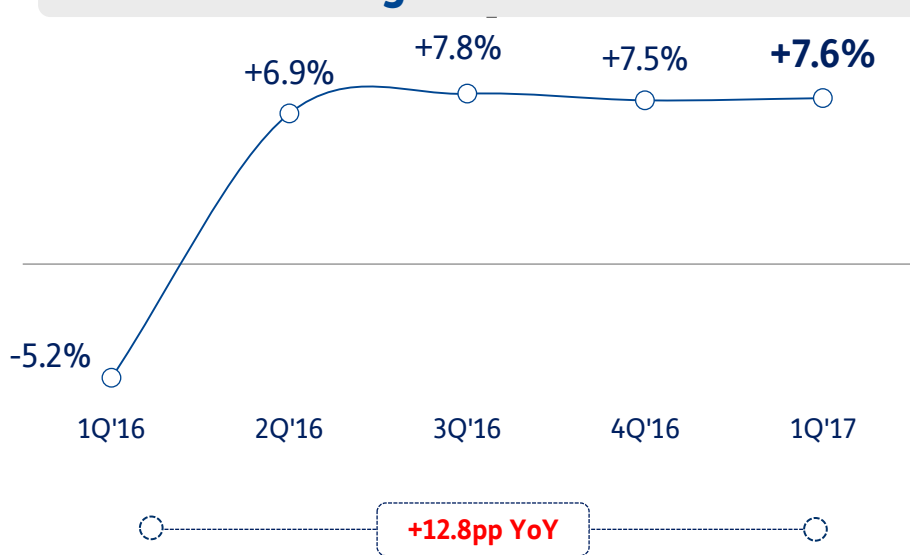
Organic data, YoY Performance

Domestic

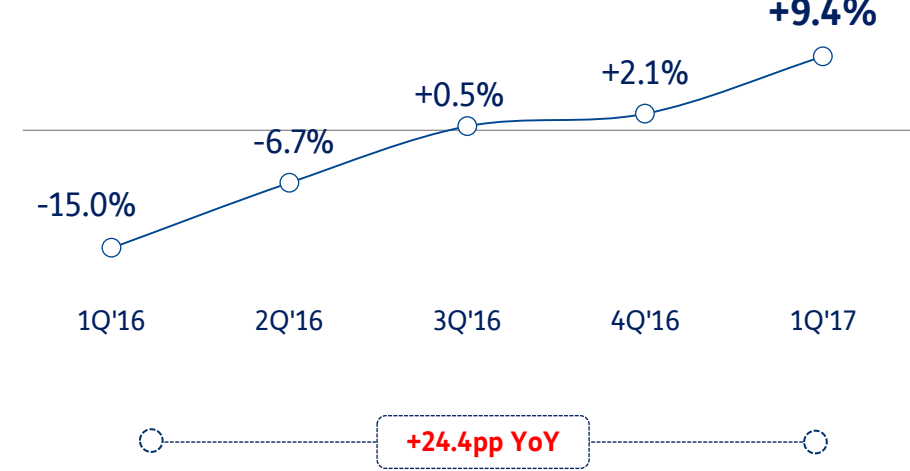
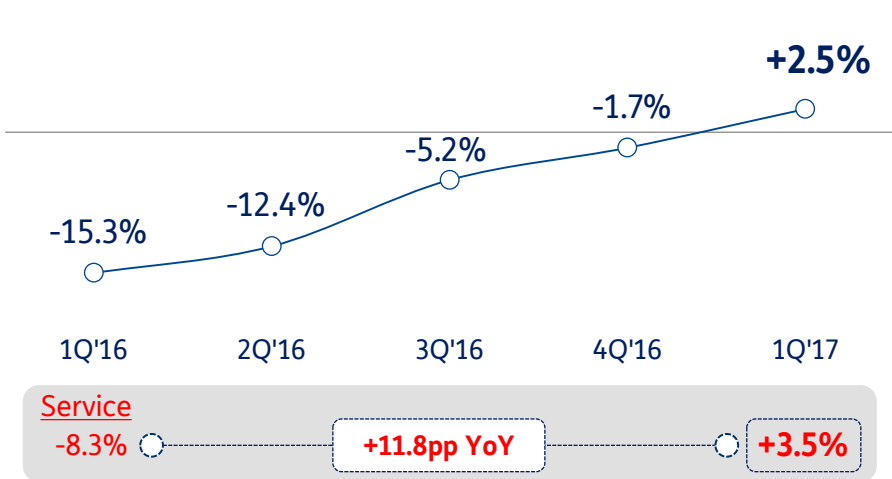
Total Revenues



Organic Ebitda



Brazil



1Q'17 Domestic: Transformation Enables Better Results, KPIs and Trends



Mobile

1Q'17

- Steady YoY growth driven by superior technology and renewed commercial approach
- Service revenues performance +2.2% YoY (+3.2% adjusted for 2016 leap year effect)

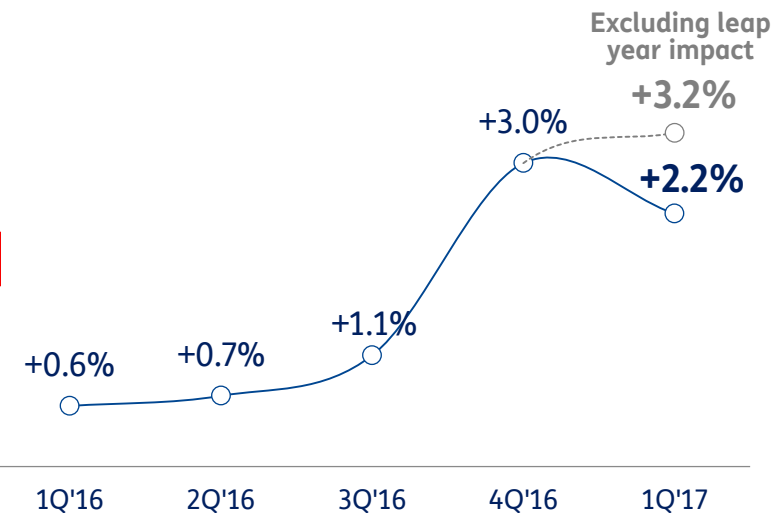


KPIs

- ARPU up to 12.0€ vs 11.6€ in 1Q'16
- LTE increasing penetration, reaching 68% of MBB
- Best-in-class churn rate, confirmed at 23.6% on FY basis



Service Revenues Trend

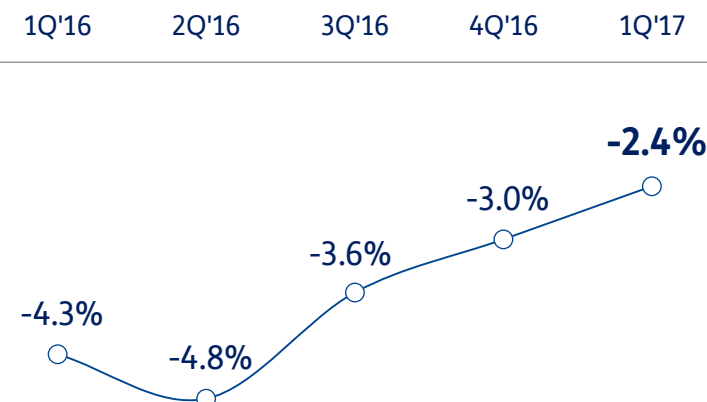


Fixed

- Drive and deliver convergence
- Total revenues +1.7% YoY supported by:
 - Fast NGN coverage expansion
 - New enabling devices
 - Premium and exclusive content
 - New Stores approach

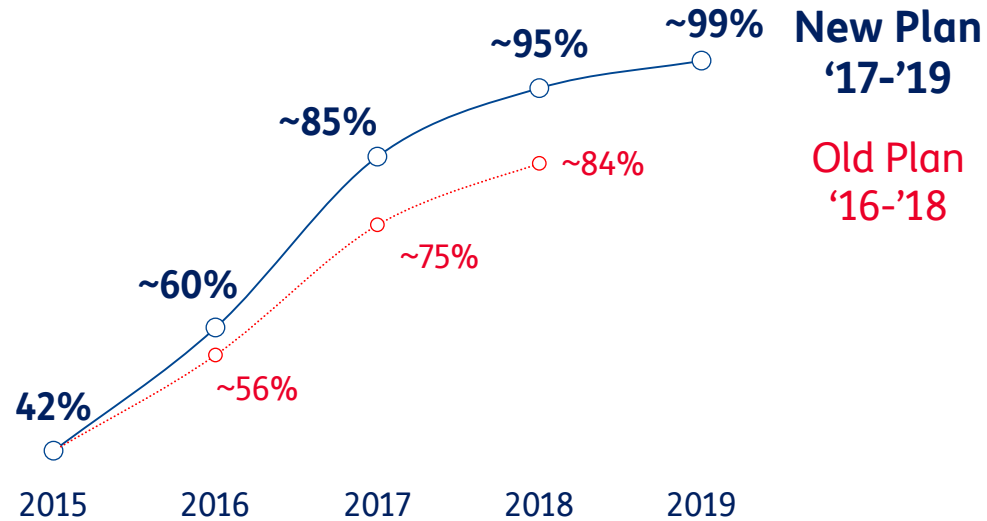


- Another record-low line losses performance at -55k vs -83k in 4Q'16
- BB Net Adds +120K
- Fiber Net Adds +230k, reaching over 1.2mln Retail NGN customers
- BB ARPU up to € 23 (+7.3% YoY)
- Consumer blended ARPU stable YoY at 32 euro
- Total Fiber Customers now at 1.7mln (Wholesale NGN +128k in 1Q'17)



UBB Networks: Strong Acceleration Towards Full Country Coverage

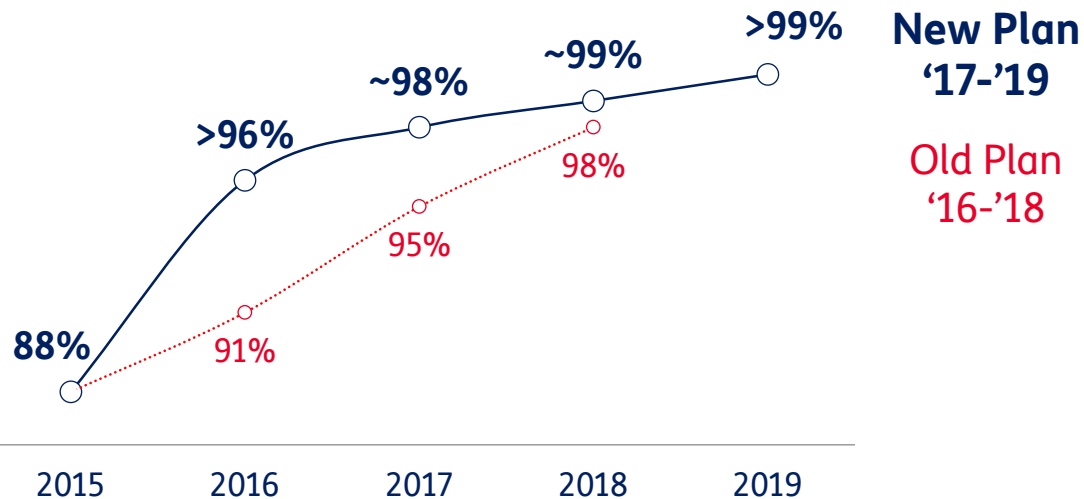
Fixed



Current Figures

- ~65% households covered
- ~91k cabinets passed
- ~147k FTTH OTB installed
- 15.4mln HH passed FTTC
- 1.3mln HH connected FTTH

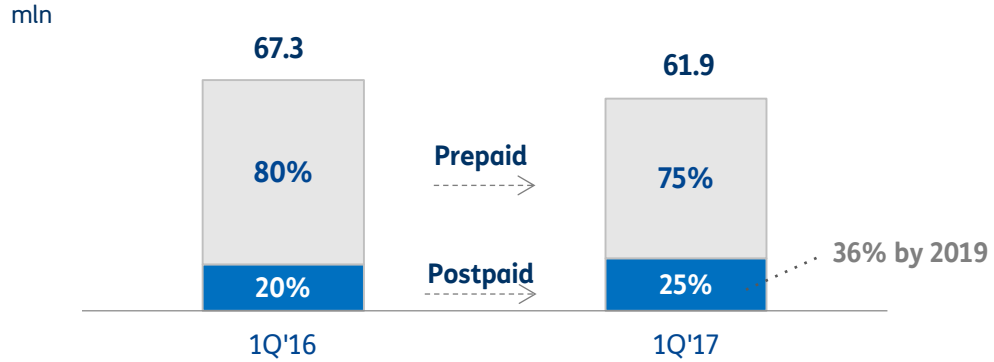
Mobile



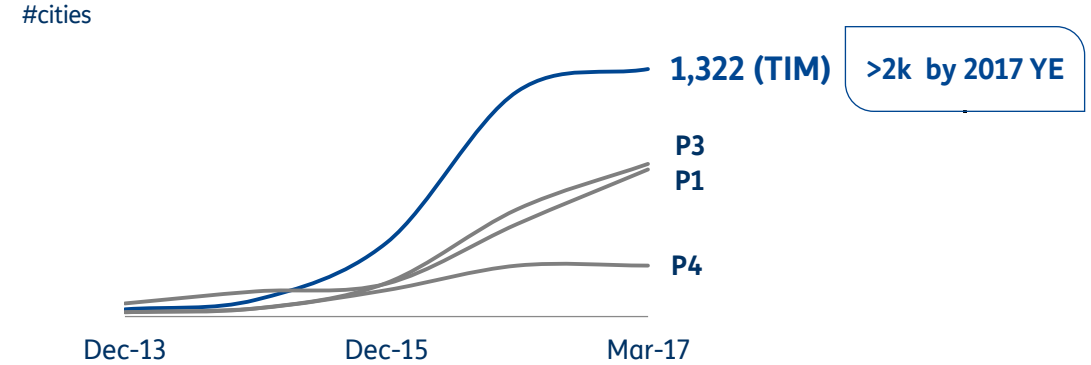
- ~97% LTE outdoor coverage
- ~15,000 LTE nodes
- >7,000 cities covered:
 - 770 cities 4G plus, 4.5G
 - in 70 cities, speed up to 300 Mbit/s
 - in 3 cities, speed up to 500 Mbit/s
- TIM best performer: download average speed 38.3 Mbit/s

TIM Brasil: Operating Results Restore Top Line Growth

Customer Mix Repositioning in Progress

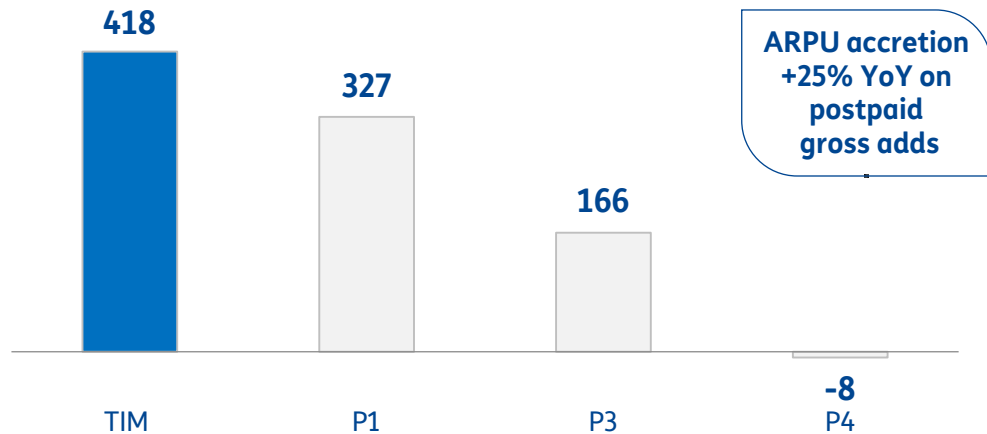


Leadership on 4G Coverage at 75%



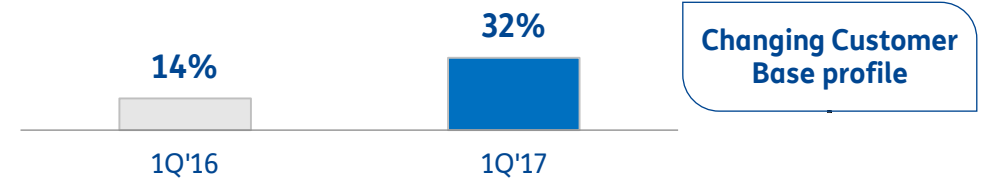
#1 in Human Postpaid Net Adds

1Q17 Net Adds, '000, ex. M2M and Modem

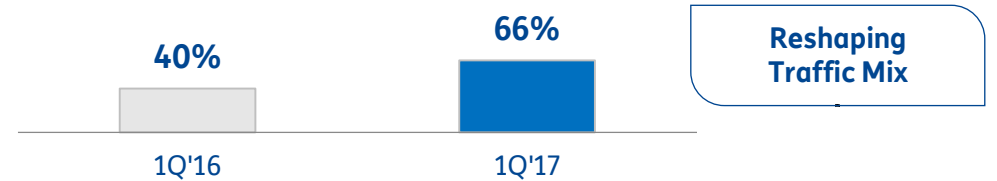


Increasing 4G Uptake

4G users over total Customer Base (%)



Data traffic through 4G devices (%)



Agenda

1Q'17 TIM Group Results - Flavio Cattaneo

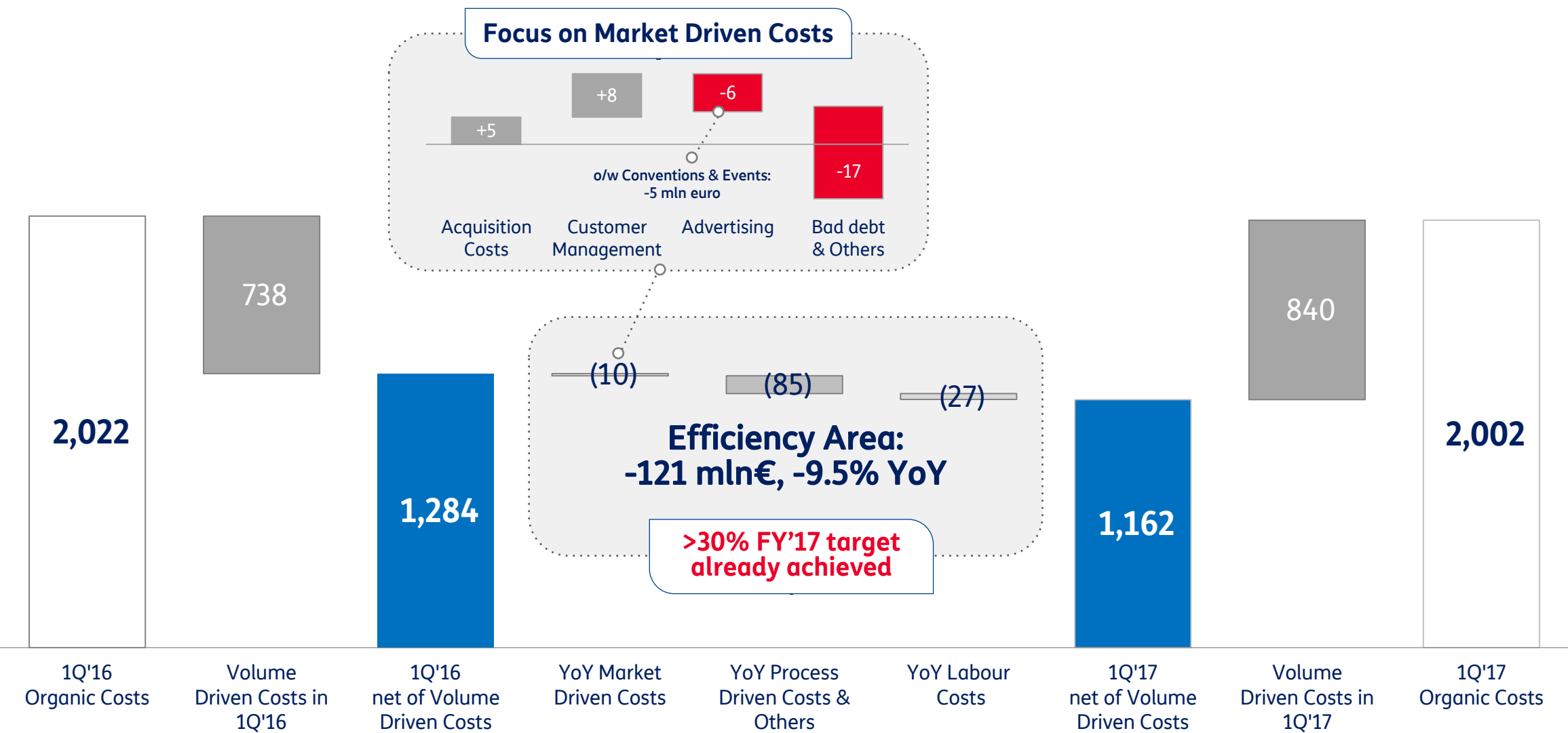
— **Financial Highlights - Piergiorgio Peluso**

Take-Aways - Flavio Cattaneo

Back-up

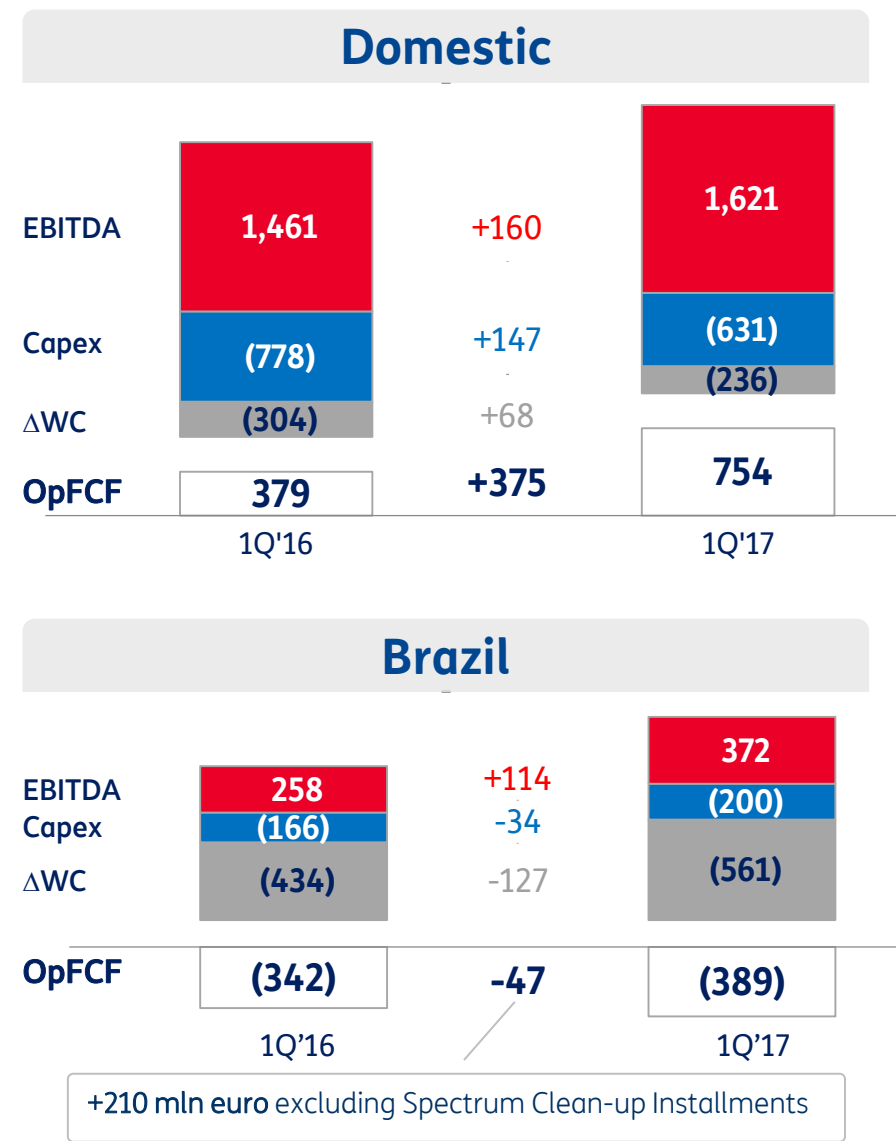
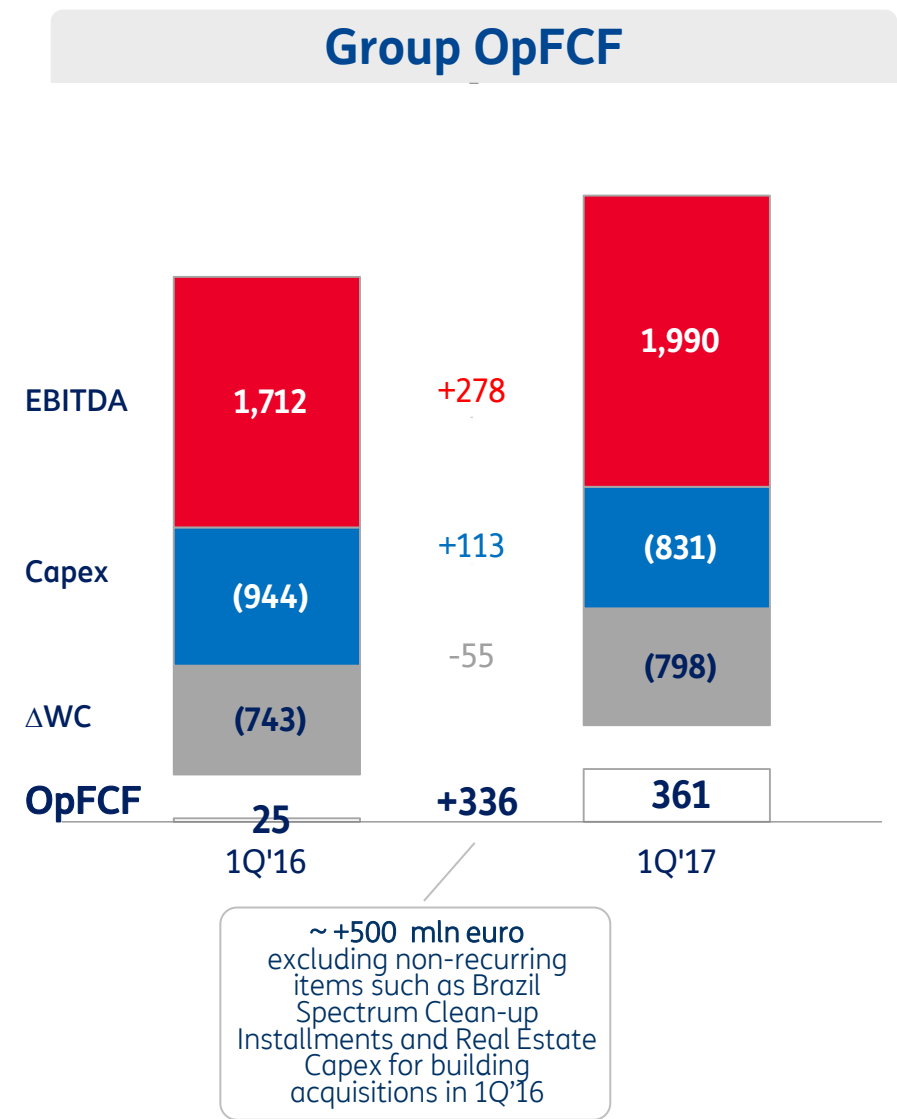
Domestic Opex Efficiency Pushing On

€mln, % YoY



Up in OpFCF Generation

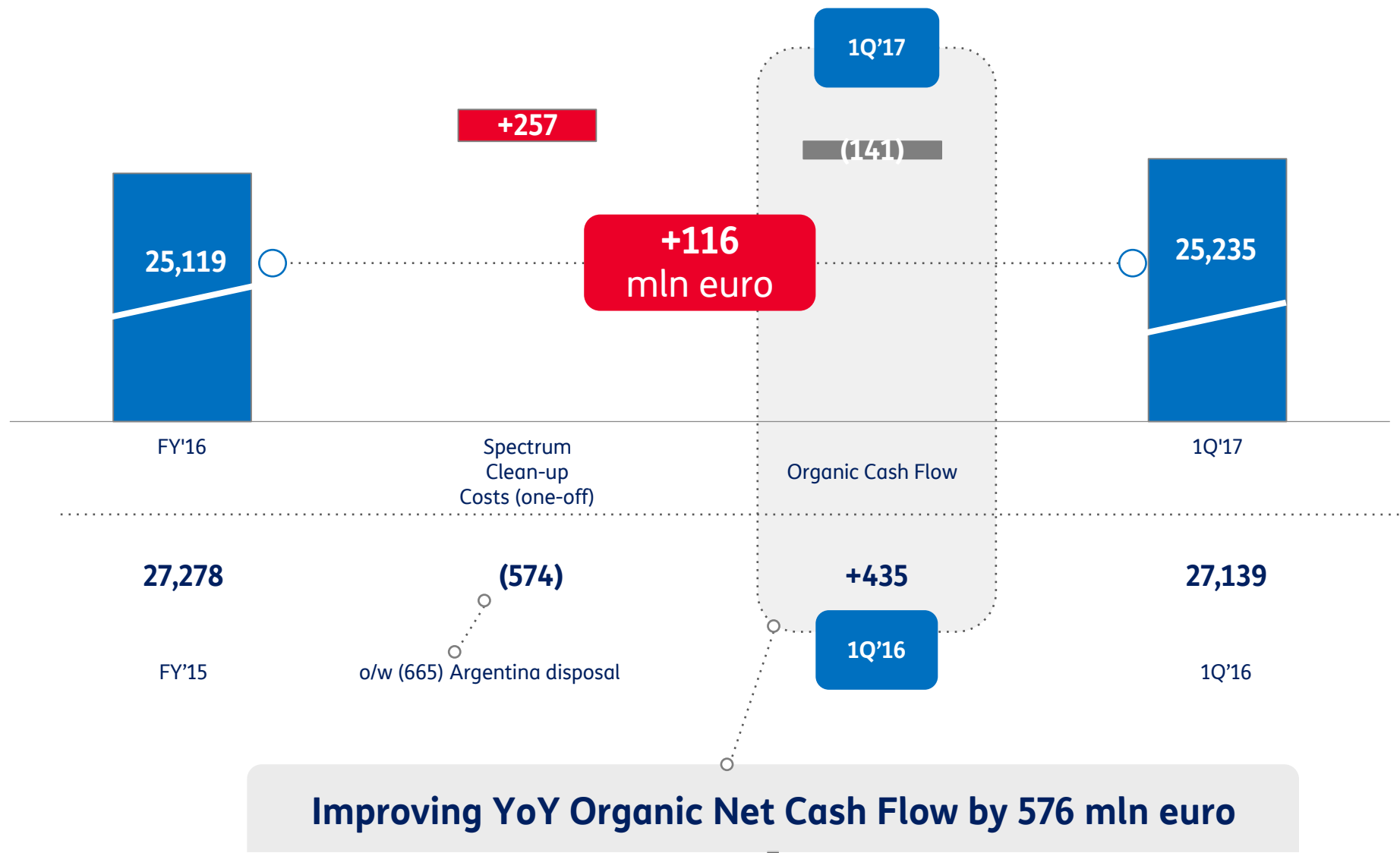
€mln, Reported, % YoY



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

Net Financial Position Evolution

€mln, (+) cash absorbed, (-) cash generated



Agenda

1Q'17 TIM Group Results - Flavio Cattaneo

Financial Highlights - Piergiorgio Peluso

— **Take-Aways - Flavio Cattaneo**

Back-up

After 1 Year of Work, TIM is on a Different Course



KPIs and Financials



- More Fiber and LTE adoption, less line losses, more lock-in with enabling devices
- Strong trend inversion in main Group figures: best Domestic results ever, Brazil turned from a drag to a growth engine
- Positive outlook for Domestic Service Revenues: parity reached in 1Q'17, further improvements expected



Infrastructures, Sales and Cost Discipline



- More Investments, Heads and Arms on Core Business
- Ahead on Cash Cost Efficiency: in 1Q'17 >30% of FY target already achieved
- Re-deployment of workforce: as of April, 2,364 employees re-assigned via Job Center



Cultural Change



- Acted on complexity, simplifying processes and systems
- Moving from defense to attack mode
- “The Customer does not wait”



Delivering our Targets



- Results are ahead of schedule
- Focus on Bottom line: TIM Group back to profit in FY'16 by 1.8 bln euro vs 70 mln euro loss in FY'15
- Organic NCF in 1Q'17 is +576 mln euro vs 1Q'16

Agenda

1Q'17 TIM Group Results - Flavio Cattaneo

Financial Highlights - Piergiorgio Peluso

Take-Aways - Flavio Cattaneo

— Back-up

1Q'17 - TI Group Results Overview

Group

- Revenues: **€ 4.8 bln**
- EBITDA*: **€ 2.0 bln**

- Capex: **€ 0.8 bln**
- Net Debt: **€ 25.2 bln**

Domestic

- Revenues: **€ 3.6 bln**
- EBITDA*: **€ 1.6 bln**

- NGN: **~65%** Households covered to-date
- 4G: **~97%** of Population in **>7k** Cities

Brazil

- Revenues: **€ 1.2 bln**
- EBITDA*: **€ 0.4 bln**

- 4G: **1,322** Cities with **75%** of urban population covered
- 3G: **2,878** Cities with **89%** of urban population covered

Inwit

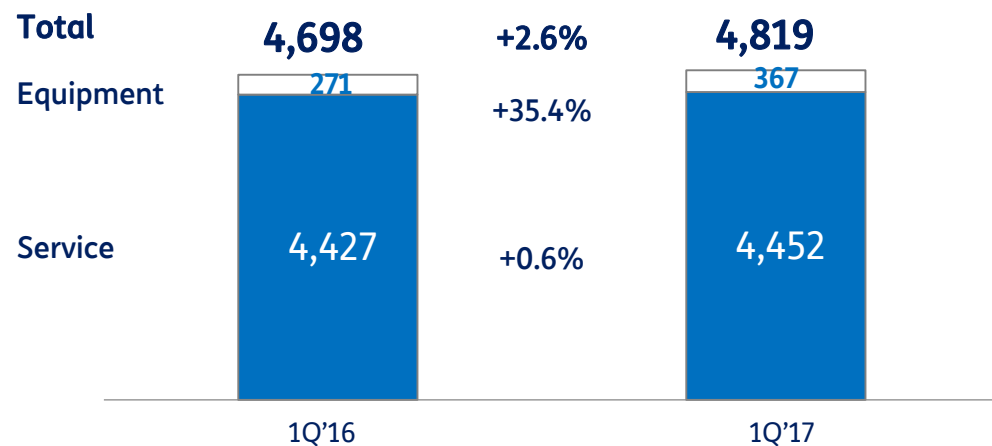
- Revenues: **€ 86.4 mln**
- EBITDA*: **€ 44.3 mln**

- Tenancy Ratio: **1.75x**
- EBITDA Growth: **+14% YoY**

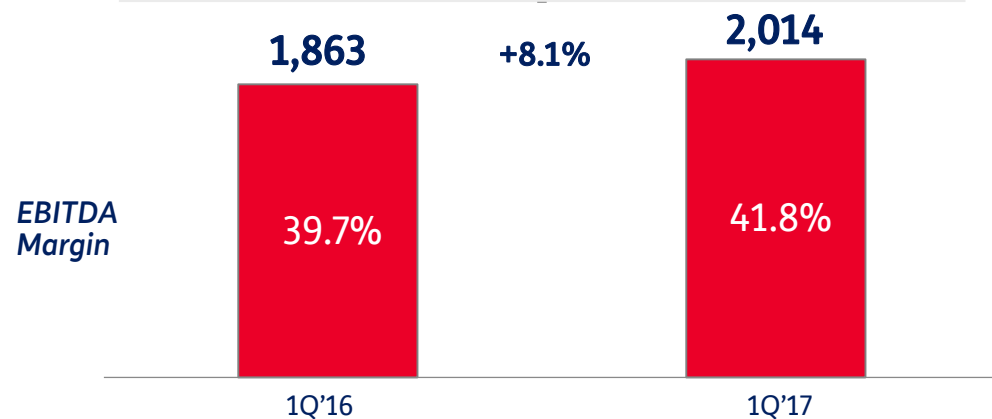
Group 1Q'17: Organic Revenues and EBITDA

Organic*, €mln, % YoY

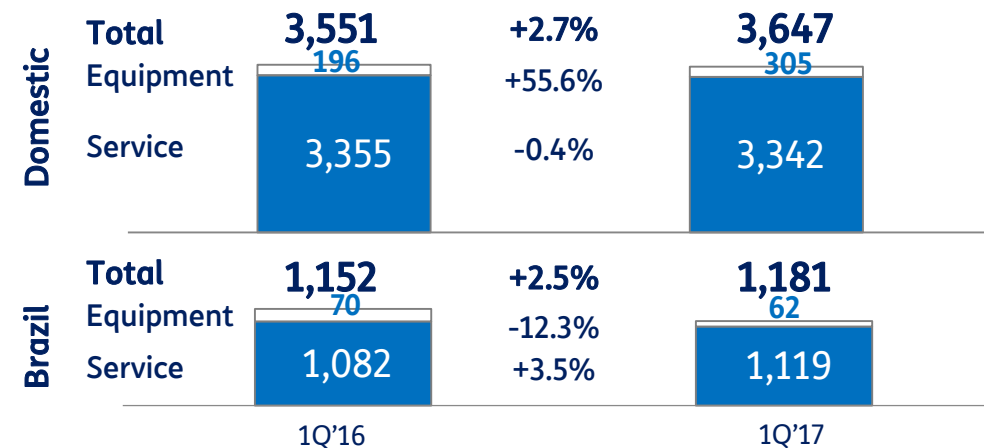
Group Revenues



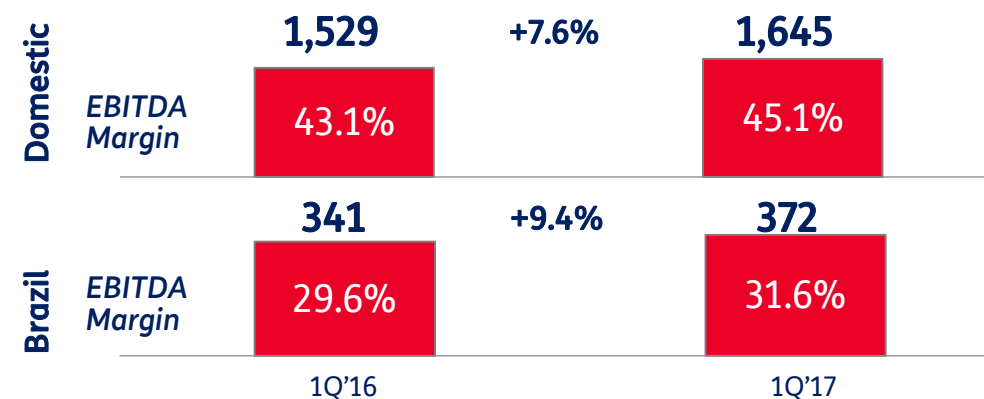
Group EBITDA



Revenue Breakdown



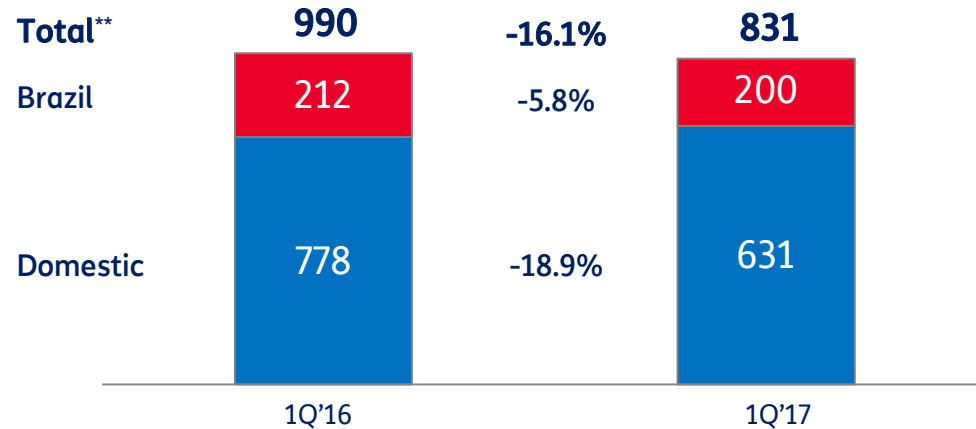
EBITDA Breakdown



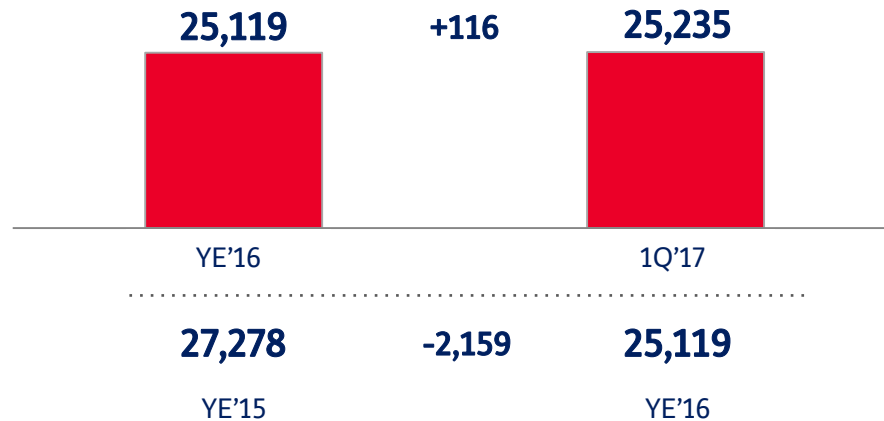
Group 1Q'17: Capex and Net Debt

€mln, % YoY

Group Organic* Capex



Adjusted Net Debt



Capex Highlights

- Group Capex reduction due to different dynamics:
 - Capex cycle starting to normalize after historical peak levels.** Confirmed the strong focus on infrastructure (~80% of the total Capex)
 - More investment in **Italy** mainly driven by **UBB Network roll-out**

Net Debt Highlights

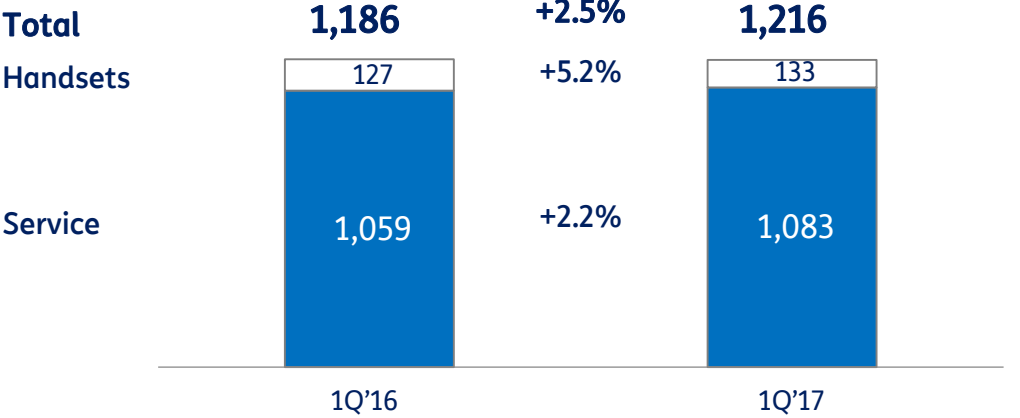
- Net Debt evolution in 1Q'17 vs YE'16 (+116 mln euro) was affected by the 4G licence clean-up payment in Brazil for 257 mln euro**
- Excluding this factor, **Net Debt would have reduced by 141 mln euro**, due to the **strong performance in Operating Cash Flow**

Mobile and Fixed Performance

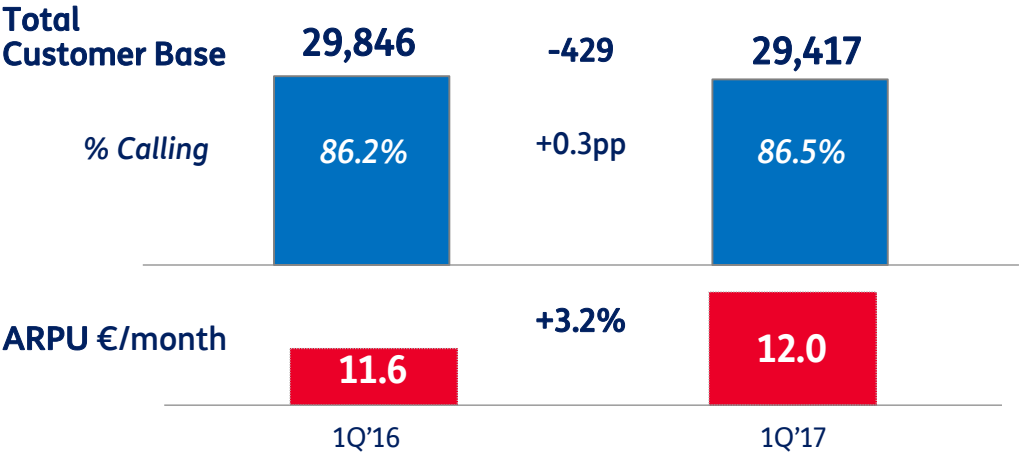
000, €mIn, % YoY



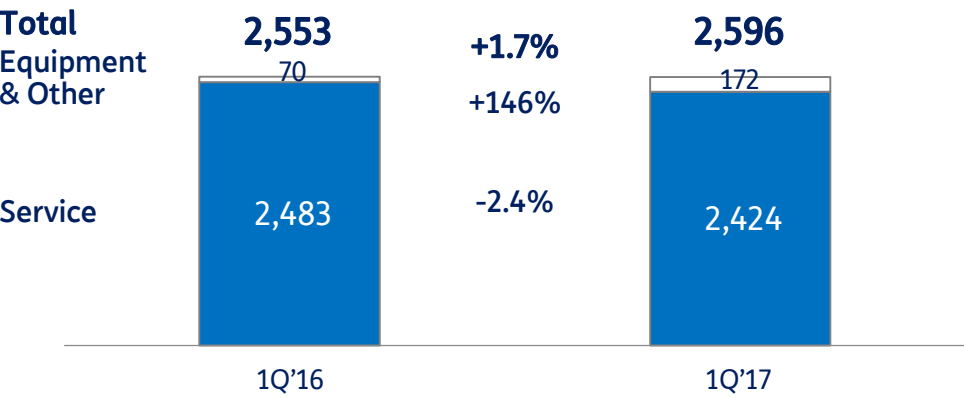
Domestic Mobile Revenues



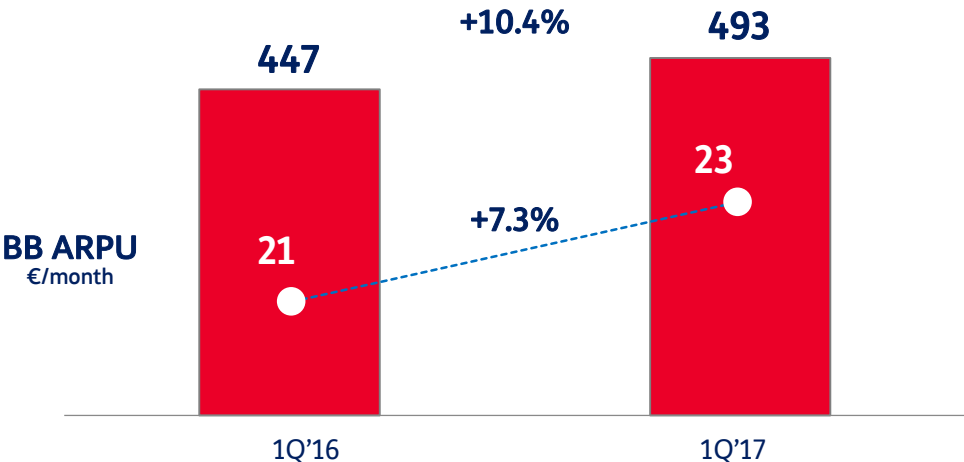
Customer Base and ARPU Dynamics



Domestic Fixed Revenues



Domestic BB Service Revenues

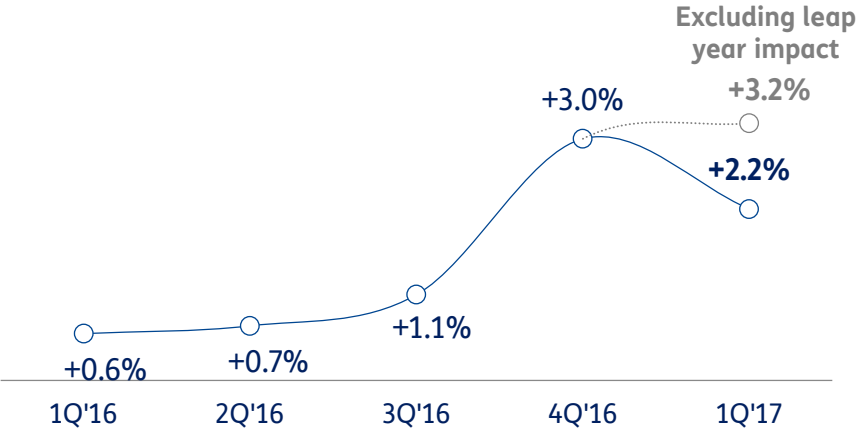


Mobile and Fixed Dashboard

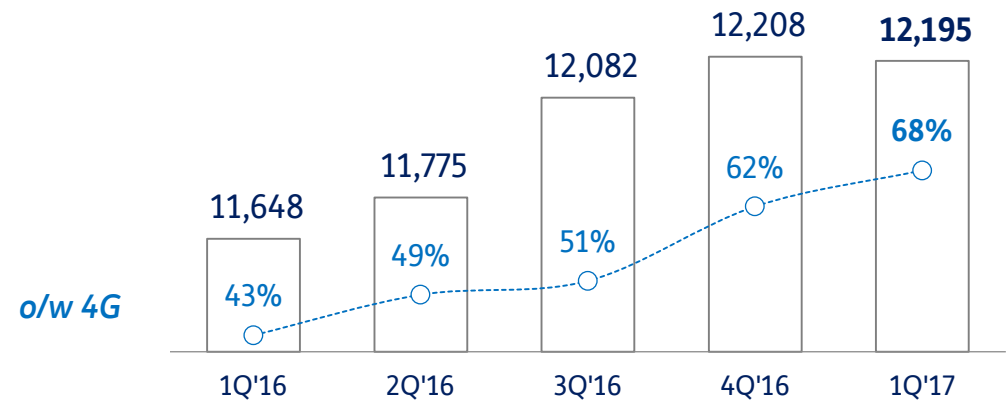
000, €mln, % YoY



Mobile Service Revenue Trend

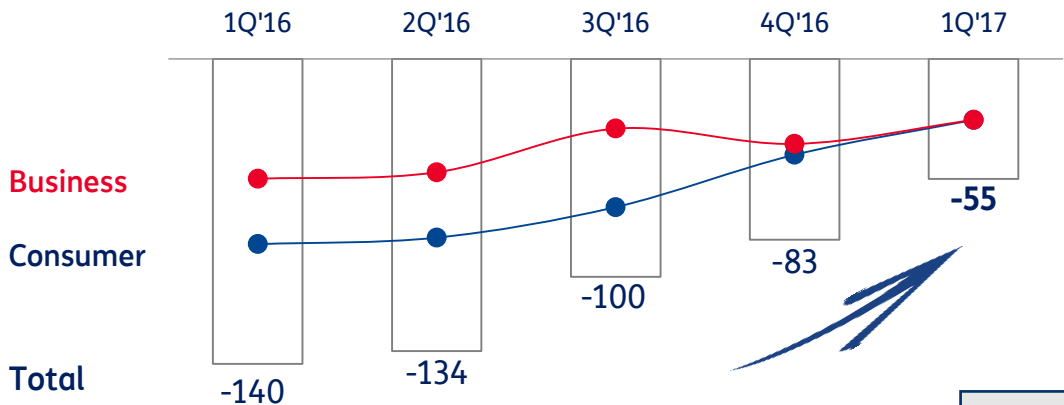


Mobile Broadband Users



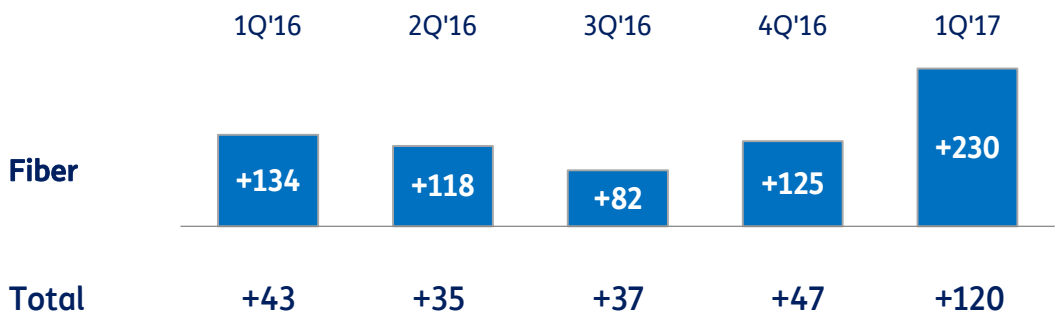
Fixed Line Losses

Line Losses
1Q'17:
-61% YoY



Fixed BB Net Adds

1Q'17 Fiber
Net Adds
+105k QoQ

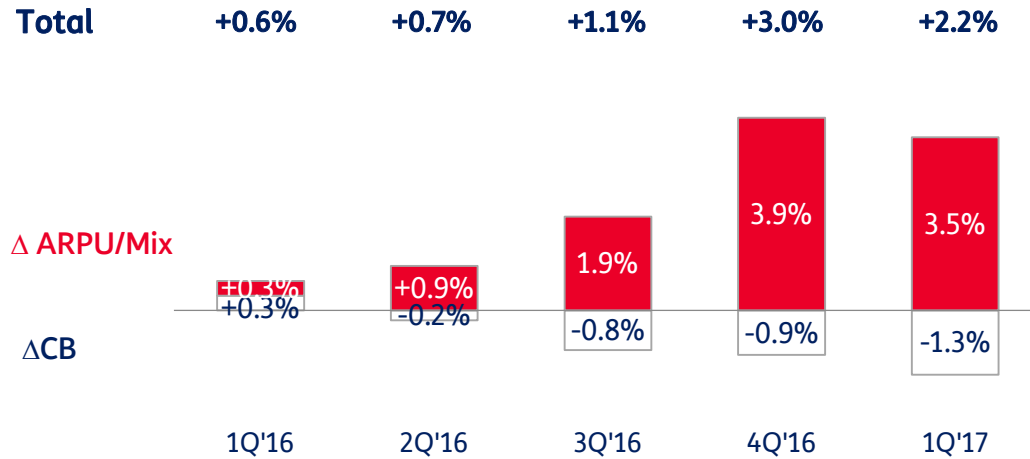


BB Net Adds
2.8x YoY

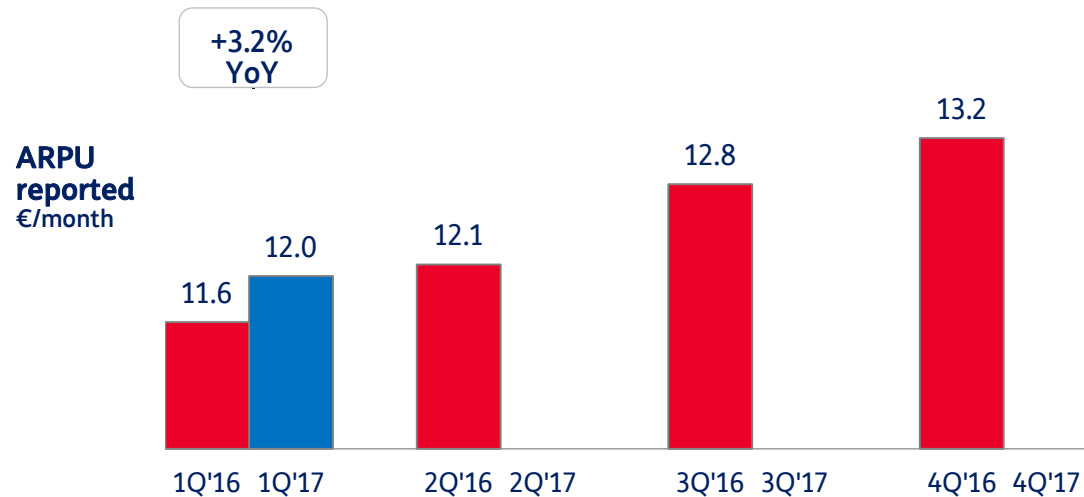
Domestic Mobile in Detail

000, €mIn, % YoY

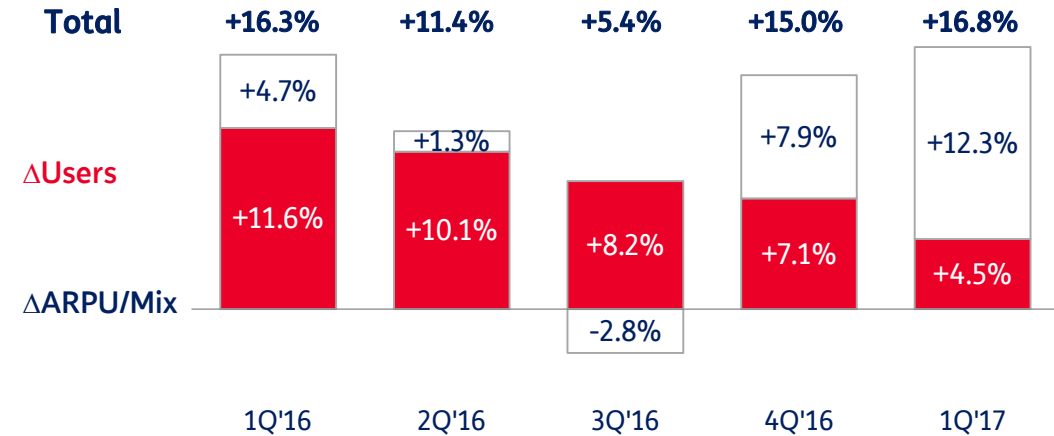
Mobile Service Revenues Trend



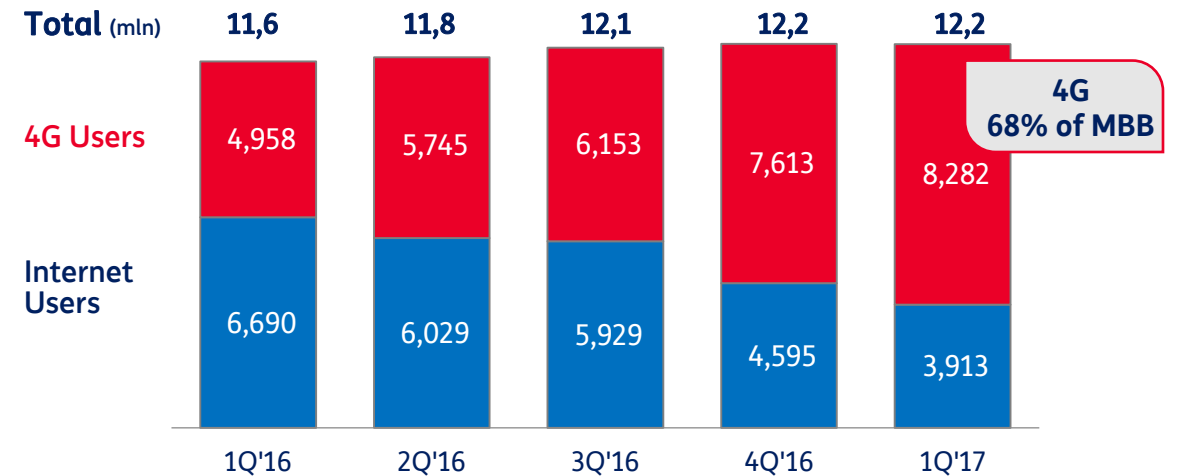
ARPU



Mobile BB Service Revenues Trend



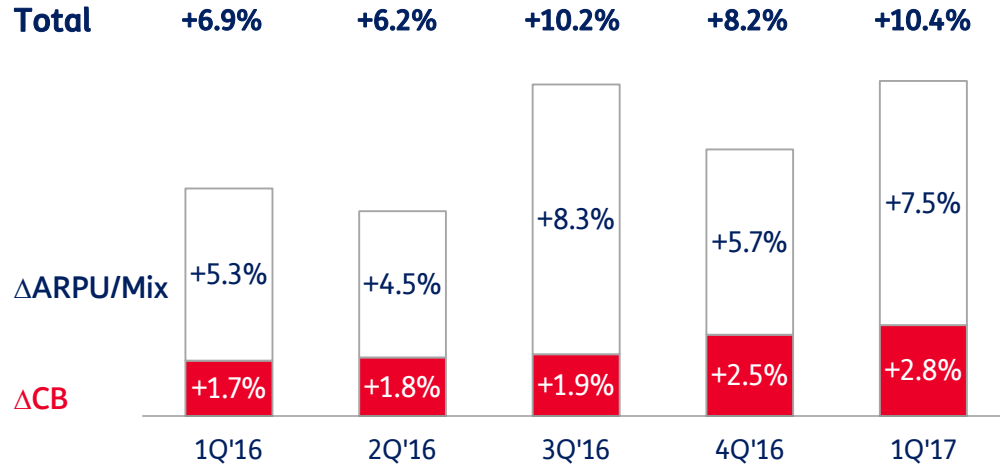
Mobile BB Customer Base



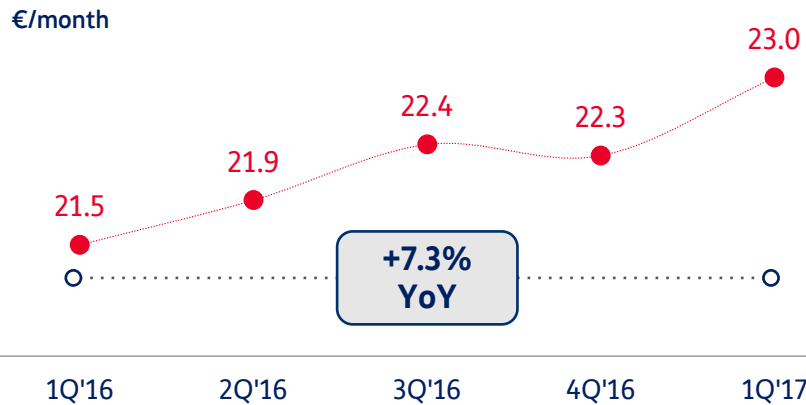
Domestic Fixed in Detail

000, €mln, % YoY

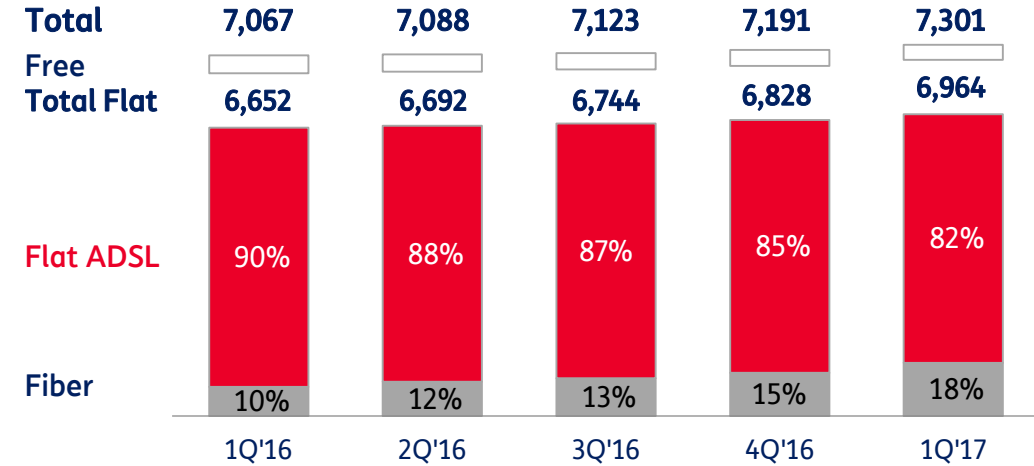
Fixed BB Service Revenues Trend



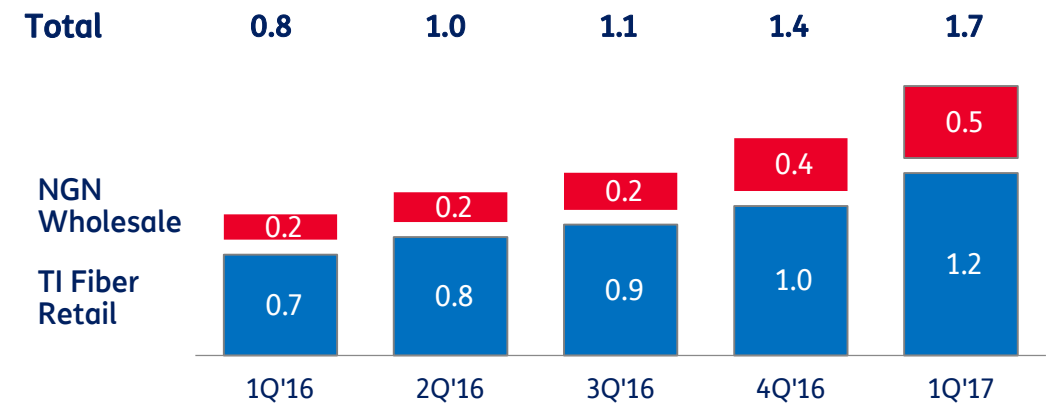
Fixed BB ARPU



Fixed BB Customer Base



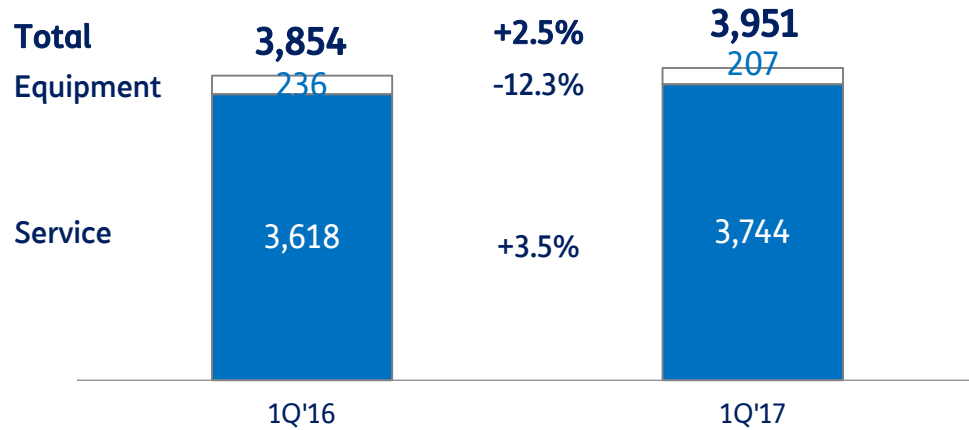
Focus on Fiber Users (mln)



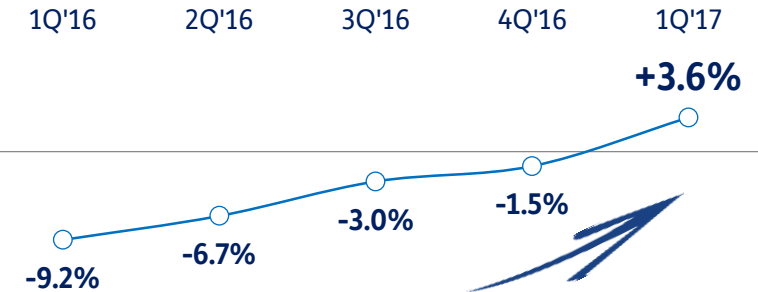
TIM Brasil: 1Q'17 Results

R\$mIn, % YoY

Revenues

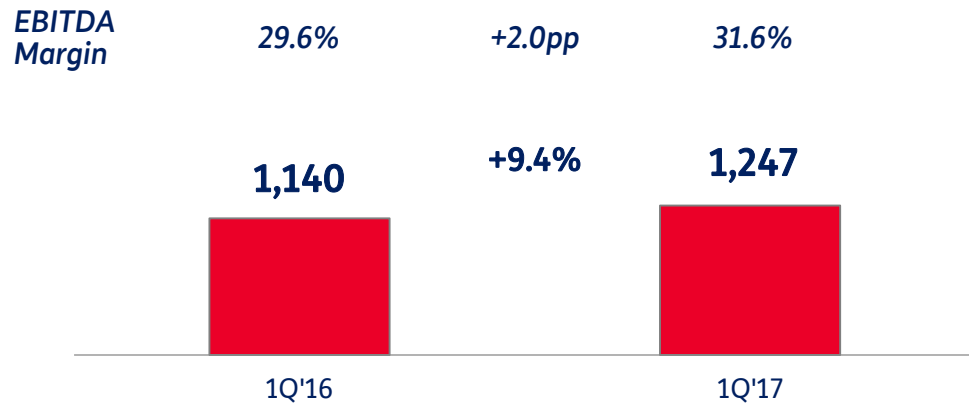


Focus on Mobile Service Revenues YoY

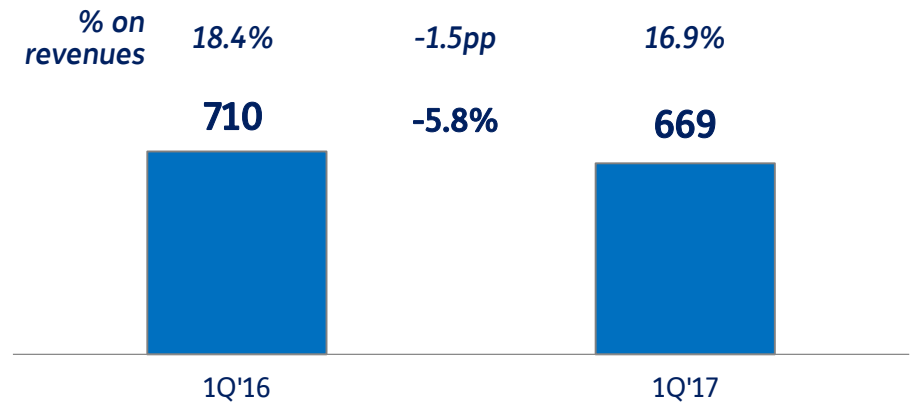


Mobile Service Revenues back to positive growth

Organic* EBITDA



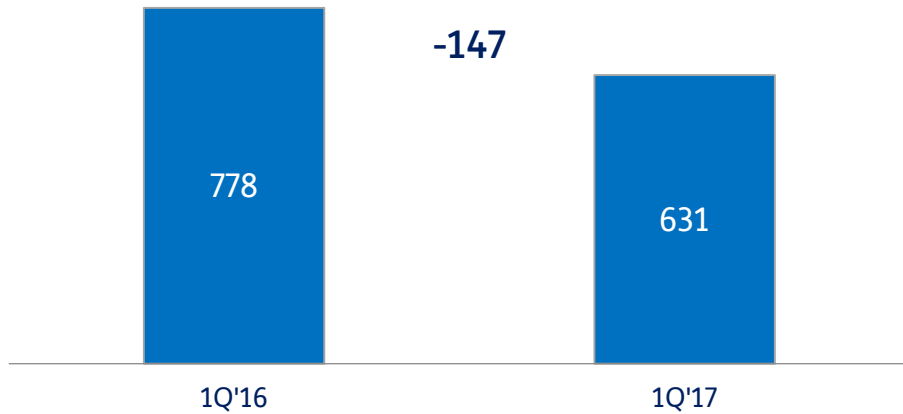
Capex



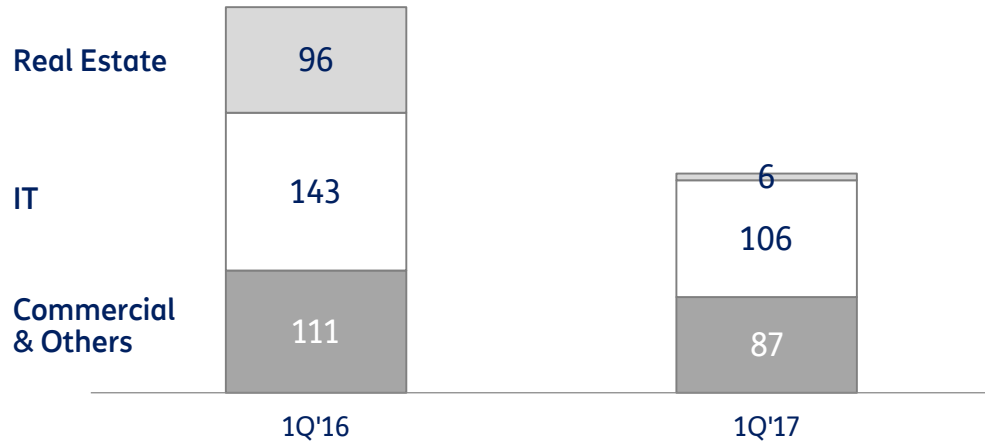
1Q'17 Domestic: Focus on Investments

€mln

Total Domestic Capex



Other Capex



Network Capex

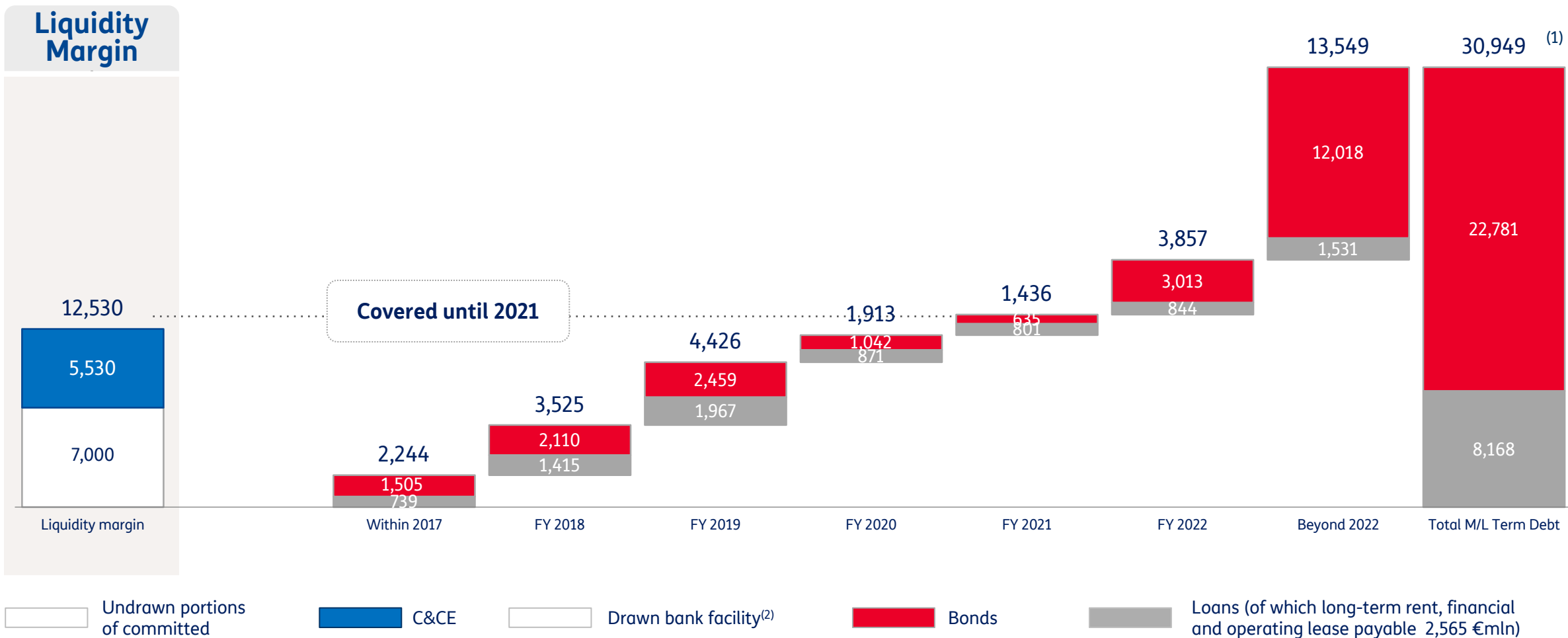


Domestic Capex Highlights

- The YoY Domestic Capex reduction was driven by:
 - **More innovative network Capex**, mainly related to NGN development
 - **Sound reduction in non core Capex**, such as on Real Estate

Maturities and Liquidity Margin

€mln

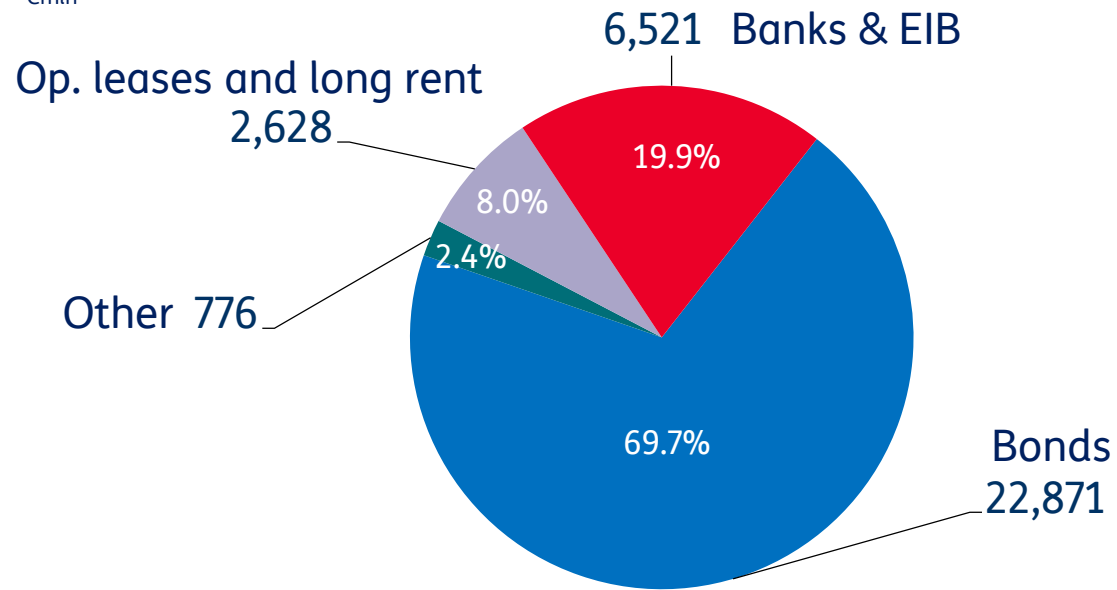


(1) 30,949 €mln is the nominal amount of outstanding medium-long term debt. By adding the balance of IAS adjustments and reverse fair value valuations (1,298 €mln) and current financial liabilities (549 €mln), the gross debt figure of 32,796 €mln is reached.

(2) Committed Bank lines are undrawn

Well Diversified and Hedged Debt

€mln



Gross debt

32,796

Financial Assets

(7,561)

of which C&CE and marketable securities

(5,530)

- C & CE

(4,461)

- Marketable securities

(1,069)

- Government Securities

(557)

- Other

(512)

Net financial position

25,235

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 1,816 €mln (of which 268 €mln on bonds)

- the impact on Financial Assets is equal to 1,128 €mln.

Therefore, the Net Financial Indebtedness is adjusted by 688 €mln.

N.B. The difference between total financial assets (7,561 €mln) and C&CE and marketable securities (5,530€mln) is equal to 2,031 €mln and refers to positive MTM derivatives (accrued interests and exchange rate) for 1,612 €mln, financial receivables for lease for 156 €mln, deposits beyond 3 months for 200 €mln and other credits for 63 €mln.

Maturities and Risk Management

Average m/l term maturity:
7.89 years (bond only 8.29 years)

Fixed rate portion on gross debt approximately **70.2%**

Around **39% of outstanding bonds** (nominal amount) denominated in **USD and GBP** and is **fully hedged**



Cost of debt: ~5.0 %

New Telecom Italia EUR 1bln 2.500% note due 2023

Issue Details

Format	Senior, Unsecured, Reg S Bearer
Size	EUR 1,000,000,000
Issue Date	12 January 2017
Maturity	19 July 2023
Settlement	19 January 2017
IPT	MS+255/260bps
Final Re-offer Spread	MS+237bps
Coupon	2.500%
Re-offer price / Yield	99.288% / 2.622%

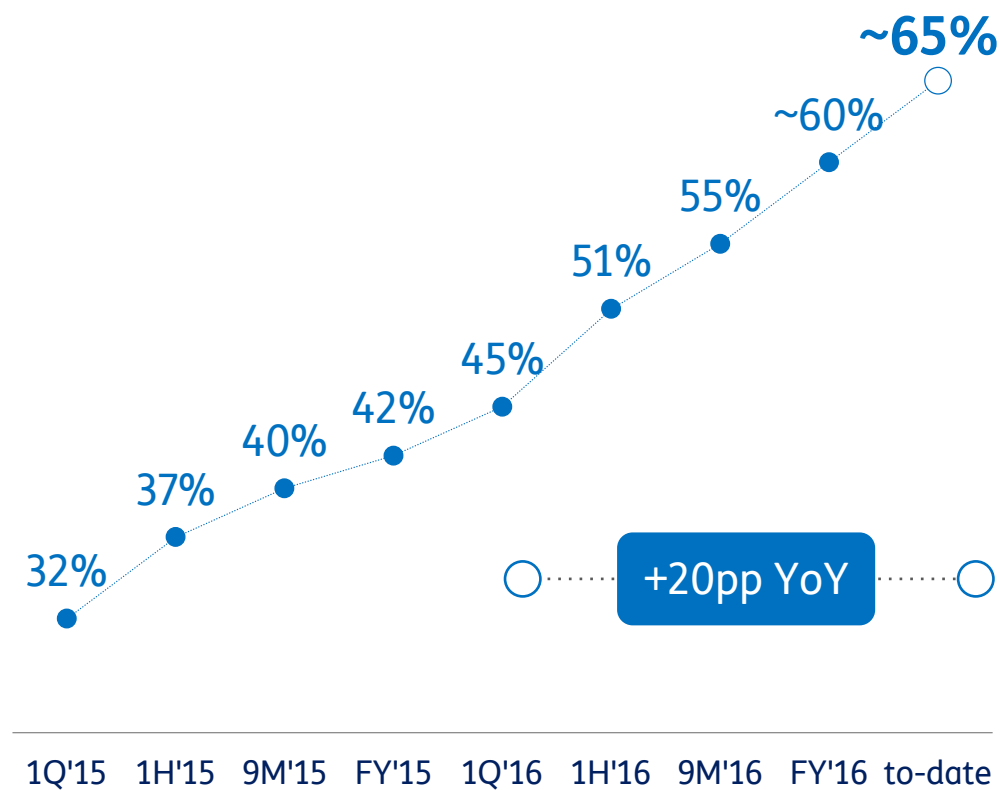
Deal Highlights

- On Thursday 12th January, TI noted the evolution of the long-end of the curve and chose the right market window to announce a new 6.5-year benchmark transaction
- Investors showed strong appetite for TI's credit and, with an order book north of 2.5 € bln, allowed the company to revise down official guidance from the initial MS+255/260bps to MS+240 (+/-3bps), and announced that the deal would price within the range
- On the back of a very solid, granular and high-quality order book, TI was able to set a final price of MS+237bps, with a NIP in the context of 12bp
- With this transaction, TI confirmed its ability to approach bond investors, being able to place 3.75 € bln over the last 12 months with 4 different transactions

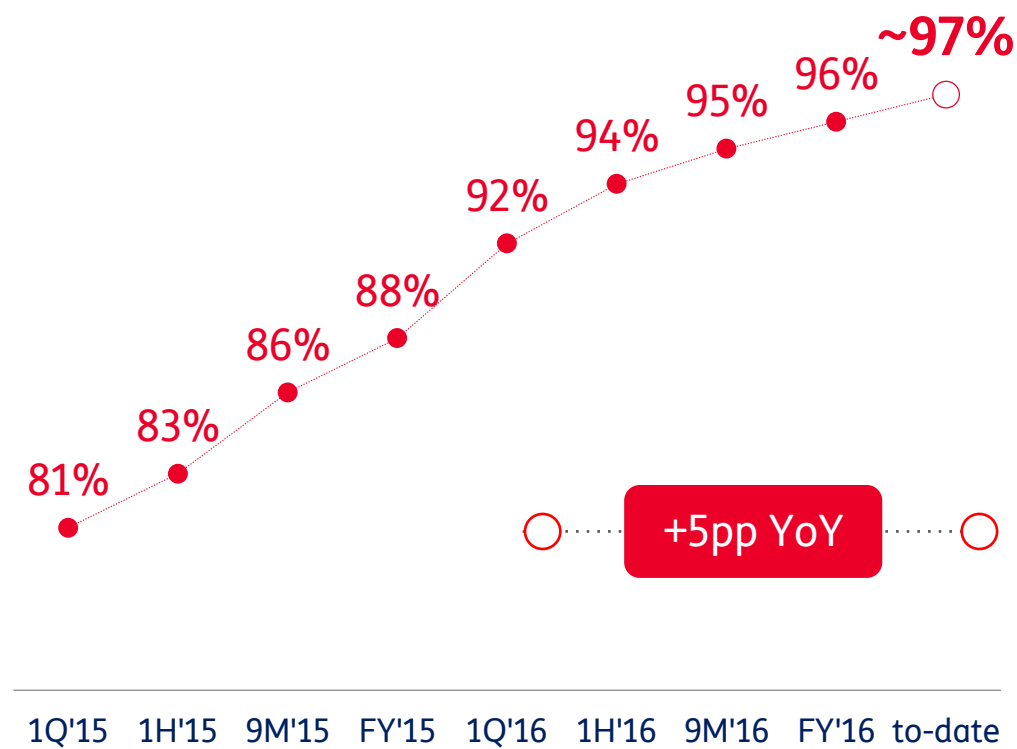
Six and a half year bond with the lowest coupon ever for a TIM Euro bond and significantly below TIM's average cost of debt

Domestic Fiber and LTE Coverage Trend

Fiber Coverage*









4G Coverage**



Domestic Cash Cost Efficiency Dashboard

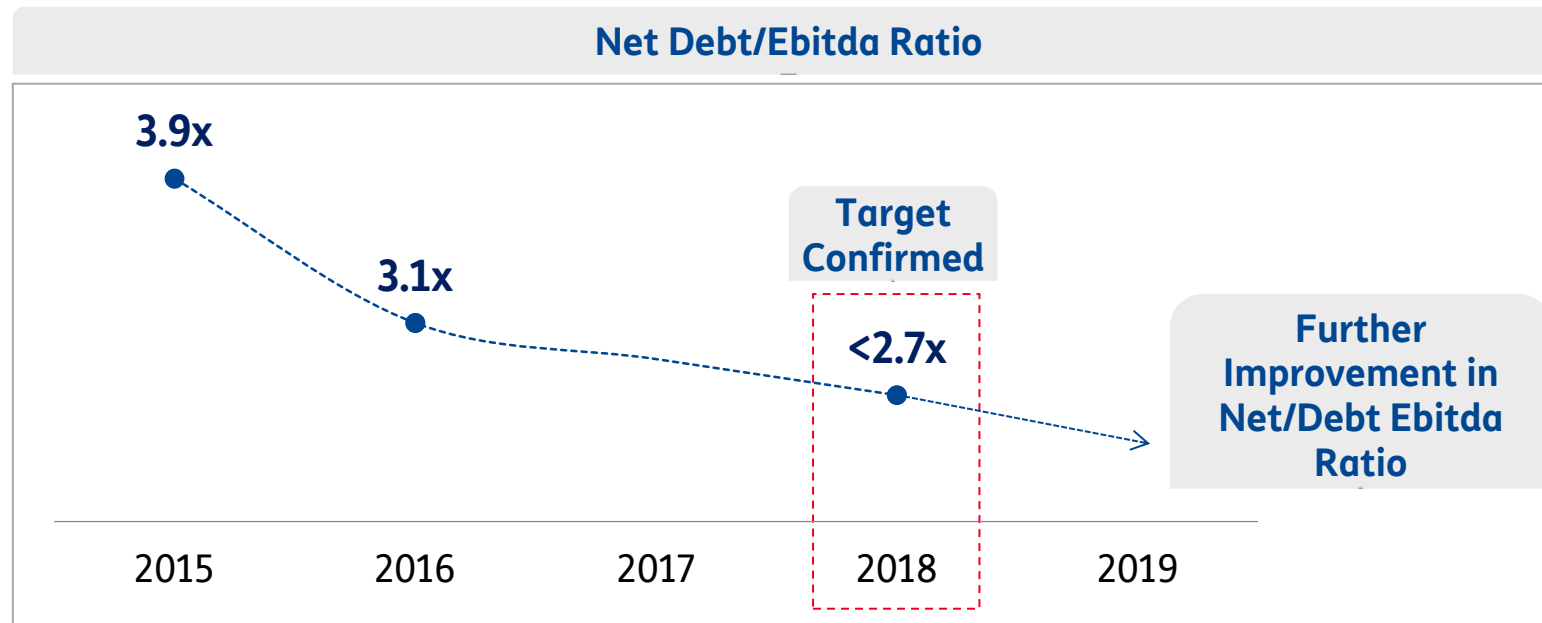
Run rate, €bln

	2015	2016	YoY	Efficiency '18-'15 May'16		Δ Efficiency '19-'15 Feb'17		New Efficiency '19-'15 Target
Total Opex	8.41	8.12	-0.28	-0.8		+0.4		-0.4
Volume Driven	3.26	3.36	+0.09	-0.05		+0.5		
Opex net of Volume Driven	5.15	4.77	-0.38	-0.8		-0.1		-0.9
Process Driven	1.28	1.14	-0.14	-0.32		-0.2		
Market Driven	1.09	1.02	-0.07	-0.23				
Labour Costs	2.78	2.61	-0.16	-0.2		+0.1		
Total Capex	3.90	3.71	-0.19	-0.8		-0.2		-1.0
Traditional	1.99	1.65	-0.35	-0.5		-0.2		
NGN	1.70	1.92	+0.22	-0.15				
Real Estate	0.20	0.14	-0.06	-0.15				
Total Cash Costs	12.31	11.83	-0.48	-1.6		-0.3		-1.9

Group Cash Flow Generation and Deleverage

Cash Flow Generation Driven by Operations Combined with a Sustainable Dividend Policy

- **Deleverage through Operating Cash Flow generation** is a priority, supported by operational and financial discipline
- **2017-2018 Net Free Cash Flow: ~700 mln per annum** on average **including spectrum***
- **No need** for divestiture to pursue debt reduction
- **Dividends** payment confirmed on **Savings Shares** according to statutory obligations. **No Dividend on Ordinary Shares** paid in Plan years
- **2018 Net Debt/Ebitda** confirmed **below 2.7x** and **further improvement in 2019**



For further questions please contact the IR Team

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