

TELECOM ITALIA GROUP

2Q'16 Results

Milan - July 27, 2016

2Q'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, 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 publicly release 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 filings made from time to time 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 six months ended 30 June 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). Please note that the limited review on the Telecom Italia Group Half-Year Condensed Consolidated Financial Statements at 30 June 2016 has not yet been completed.

The comparative financial information as of 31 December 2015 and for the six months period ended 30 June 2015 have been revised (segment information included) as a result of the prior years' incorrect accounting entries, already disclosed to the market, identified by the TIM Brasil's Management in connection with the recognition of service revenue from the sale of prepaid traffic. Such revision did not have any material impact on the consolidated income statement for the six month period ended 30 June 2015.

Persidera, as a result of the change in its operational mission, is included, starting from 1 January 2016, 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

— Action Plan Progress and Outlook - Flavio Cattaneo

2Q'16 Results - Piergiorgio Peluso

Take-Aways - Flavio Cattaneo

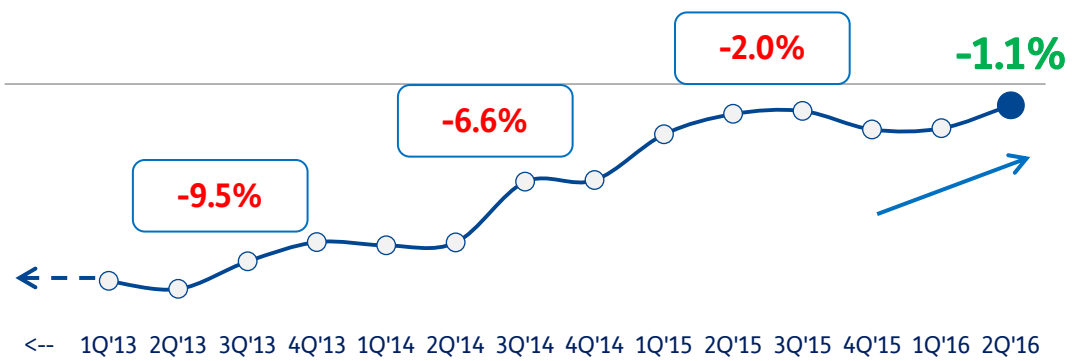
Back-up

The Best Quarterly YoY Domestic Performance Since 2009

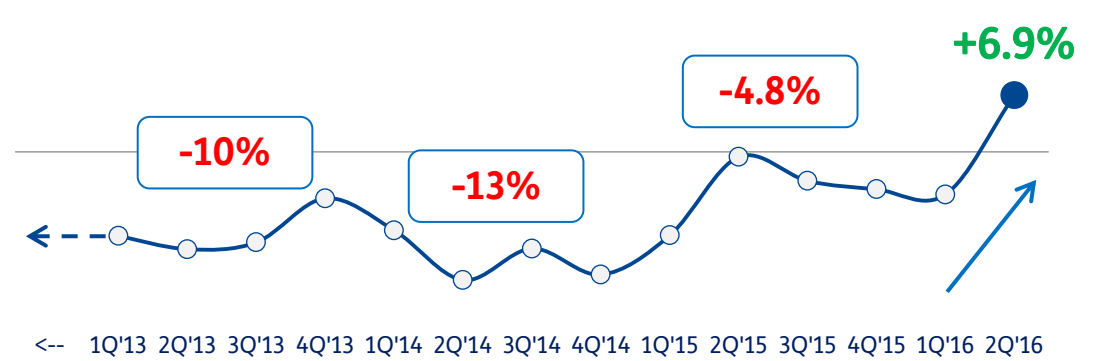
Organic*, % YoY

FY

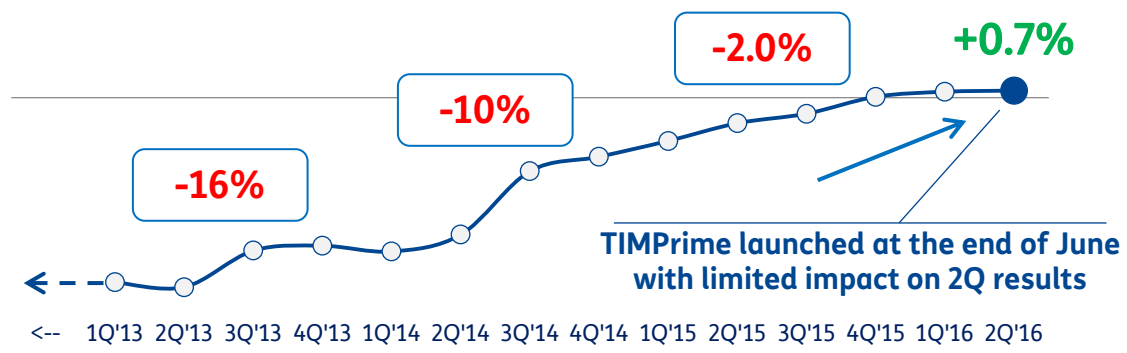
Total Revenues



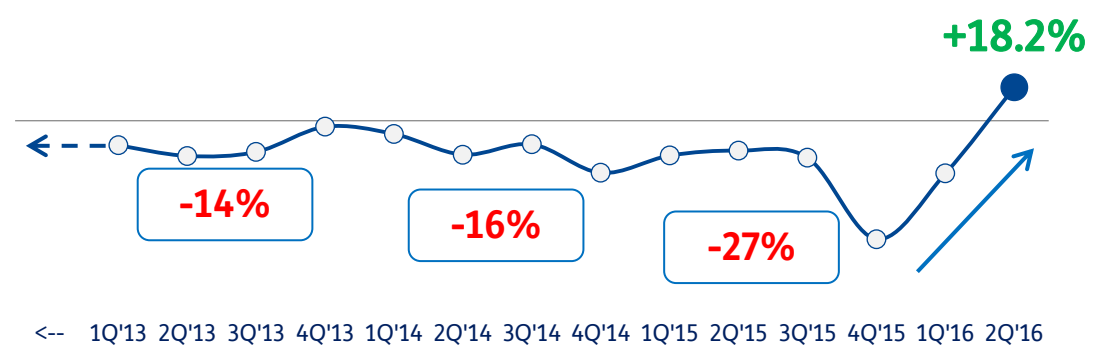
Organic* EBITDA



Mobile Service Revenues



EBITDA-CAPEX**



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

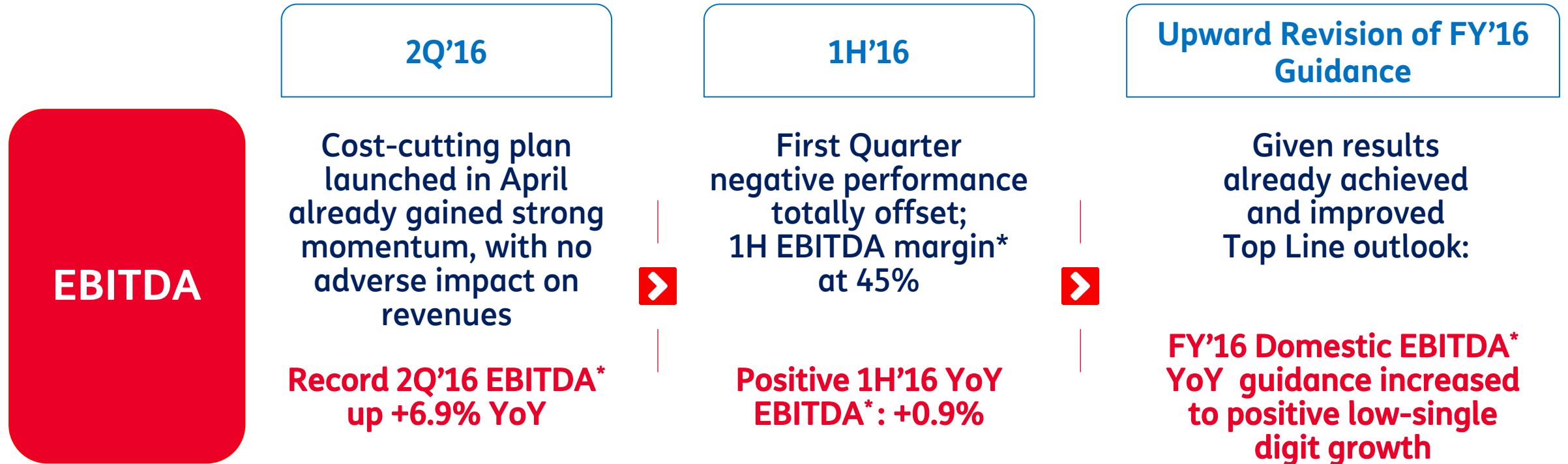
Domestic: Solid Performance in 2Q'16

	2Q'16	KPIs	FY'16 Outlook
Mobile	Service revenue growth confirmed	<ul style="list-style-type: none"> • ARPU up to 12.1€ • Best-in-class Churn at 21.2% • LTE penetration increased to 49%* 	<ul style="list-style-type: none"> • High-quality LTE services support further revenue growth • TIM Prime, Summer and Back-to-School Campaigns
Fixed	Resilient Top Line performance while fiber is driving the business	<ul style="list-style-type: none"> • Lower line losses at 134k (best performance since 2010) • Fiber lines +118K • BB ARPU up to € 21.9 • TI Fiber covers 51% of the Country • 1 million NGN customers 	Autumn Campaign, improved delivery across the customer base to lift Top Line trend



KPIs building up, Positive Outlook for 2H

Domestic: Upgrading FY'16 EBITDA Target

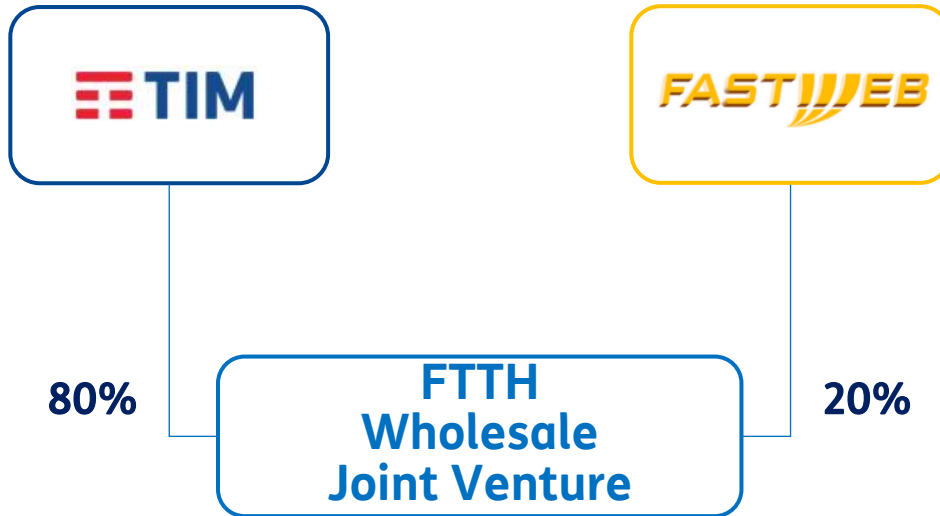


Italy: Ultra BroadBand Roll-Out more than on-track

TI is moving on with its fiber plan, while broadening and improving its LTE footprint

Technology	Current coverage	YE'16 Target
FttH/B up to 1Gbps	528,000 households, optical cable being deployed to and beyond the building in 14 cities	During August / September, work extended to all of the 30 1 st - wave cities. At YE, coverage increased to 900,000 households**
FttC up to 200 Mbps	<ul style="list-style-type: none">• 12,529,000 households passed• Sellable in 1,250 cities	<ul style="list-style-type: none">• 13,600,000 households passed• Sellable in 1,600 cities
4,000 Construction Sites in operation		
LTE up to 150 Mbps*	93.7% population coverage in 6,285 cities	Coverage increased to 94.5%, reaching 6,350 cities

FTTH: a «Faster and Deeper» Combination



Commercial Agreement

TIM acquires FTTH connections to 650k households in 6 cities at ~ €200 per unit

Co-Investment Agreement

- A New Special Purpose entity acting as exclusive vehicle to Develop Secondary and Vertical segments in 29 cities*
- Related deployment will be outsourced to TIM and to FastWeb at market price



- €1.2bln FTTH Plan
- Double-digit IRR

- No overbuild
- Significant Roll-out Synergies
- Higher Return on Capital

- Quicker Time-to-Market
- Superior Fiber Infrastructure

- No change in TIM FTTH-related Capex
- FTTH targets reached earlier

More Infrastructure for Wireless Expansion

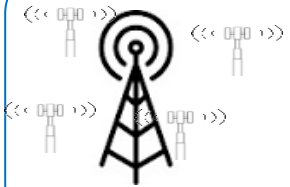
Δ Vs Previous Inwit 3-yr Plan



+ 400 New 4G Sites
including accretive site-replacements
where TI is on third-parties' towers

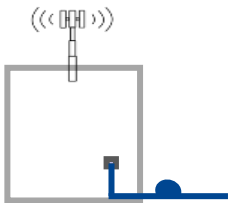
**Total 3-yr
Build out:**

**1) >500
New 4G Sites**



+ 3,500 Small Cells Deployment
to boost a Multi-Operator business
development model

**2) >4,000
Remote units**



>1,000 Fiber to Sites
Inwit to operate fiber backhauling for
new towers and to complete service
for existing ones

**3) > 1,000
Fiber to Sites**



Value for Inwit and TIM

€ 150mln of Inwit quick-win,
double-digit IRR Capex*

Supporting TIM leadership
in Quality and Top Line

Improving Inwit infrastructure
and raising its expected 2018
EBITDA growth from high
single-digit to low teens

**At Domestic level, No incremental Capex /
No change in 2018 Capex Efficiency run rate of € 800mln**

TIM Brasil 2016-'18 Plan Update: Resetting for Growth

2018 Cash Costs Efficiency Target increased by R\$1.6bln*

- Cumulated 2016-'18 cash costs savings vs previous Plan: R\$4.5bln
- Organization rightsizing
- Improve E2E processes & systems
- Digital penetration in key commercial processes

Maintain Focus on Mobile

- Fully exploit Tim Mobile positioning
- Operate in line with a more rational market, ready to seize a rebound
- Effective and efficient Quality
- Selective roll-out of residential wireline UBB: focus on MSAN occupancy

Innovative & Differentiated Offers

- Data at core of offers
- Multimedia & digital service hub strategy
- “Mass customization”
- Data content delivery optimization platform
- Pay per use vs. recurring
- Bundle segmentation
- Data-only plans
- Improved Customer Experience as key factor in Postpaid

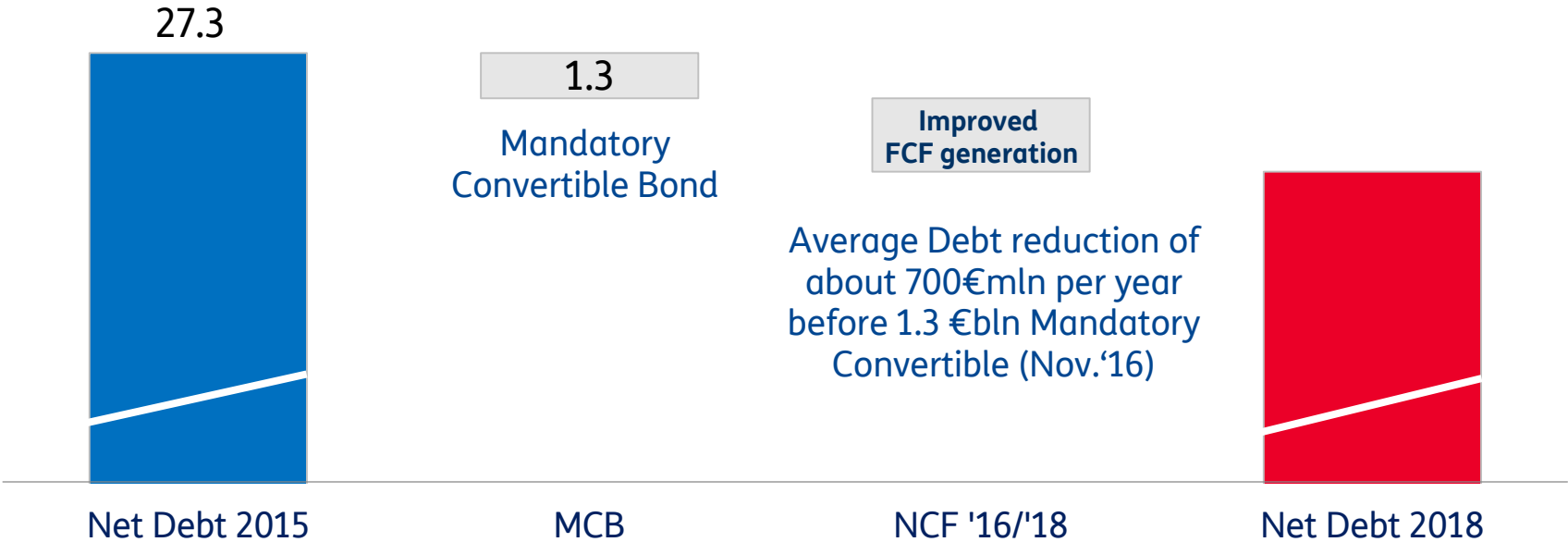
Faster and Wider Mobile BroadBand Coverage**

- Expand 4G coverage leadership (1H'16: 64%; cities: 579 1H'16 ~1.000 YE'16)
- Fast upgrade of 3G coverage (1H'16: 83%; cities: 1,963 1H'16 ~3.000 YE'16)
- Better use of infrastructure and spectrum
- Ahead with FTTS plan

Updated 2018 Leverage projection after Group Cost Efficiency Program and no Sale of Inwit

€bln

2016 - 2018 Plan Horizon



Net Debt/EBITDA* Ratio



Below 2.7x in 2018**

~€2.1bln cum. 3-yr Organic FCF supported by Efficiencies and Top Line Outlook



* EBITDA Reported

** Excluding Spectrum and considering the same exchange rate of 2016-'18 Plan presented in February 2016

Agenda

Action Plan Progress and Outlook - Flavio Cattaneo

— 2Q'16 Results - Piergiorgio Peluso

Take-Aways - Flavio Cattaneo

Back-up

2Q'16 - TI Group Results Overview

Group

- Revenues: € 4.7 bln
- EBITDA*: € 2.0 bln

Domestic

- Revenues: € 3.7 bln
- EBITDA*: € 1.7 bln

Brazil

- Revenues: € 1.0 bln
- EBITDA*: € 0.3 bln

Inwit

- Business Plan enriched with > € 0.15 bln mobile infrastructure Capex in 2016-'18



- Capex: € 1.0 bln
- Net Debt: € 27.5 bln



- NGN: 51% Households in 1,250 Cities
- 4G: 93.7% of Population in 6,285 Cities (350 4G Plus)



- 4G: 64% Coverage, 579 Cities
- 3G: 83% Coverage, 1,963 Cities

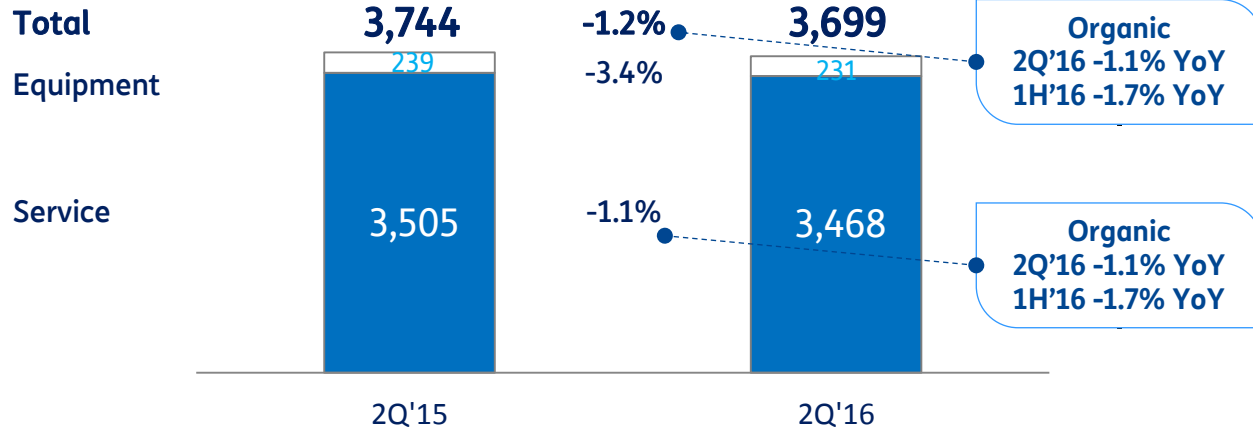


- Stepping ahead in Italian Mobile Infrastructure Leadership

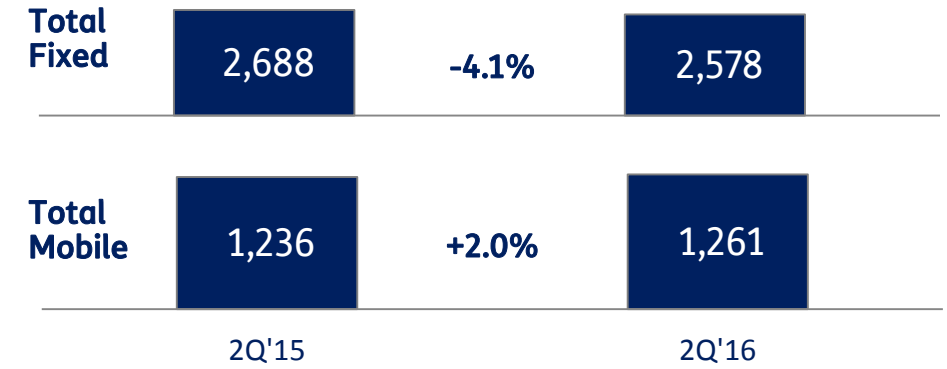
2Q'16 Domestic: Revenues & EBITDA

000, €mln, % YoY

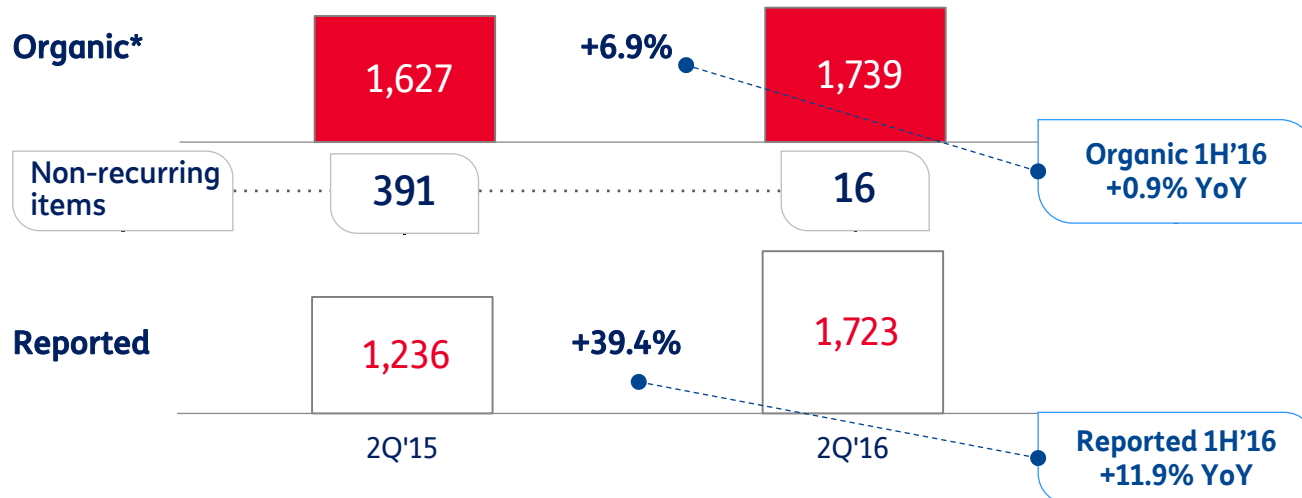
Total Reported Revenues



Total Domestic Revenue Breakdown



Domestic EBITDA: Organic* & Reported



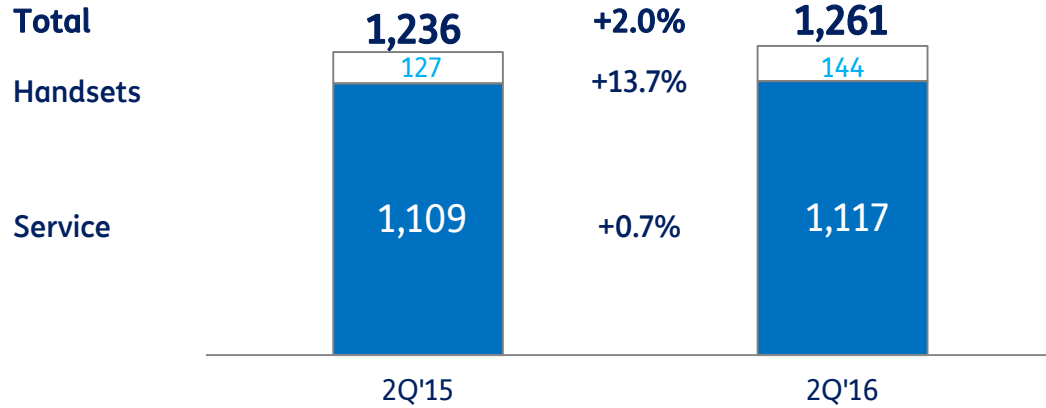
EBITDA Highlights

- Positive Organic EBITDA performance with a significant trend reversal in 2Q: +6.9% YoY
- Incorporating last year 2Q non-recurring items (mainly provisions for litigations), reported performance of 2Q'16 EBITDA was +39.4% YoY
- Organic EBITDA in 1H'16 + 0.9% YoY

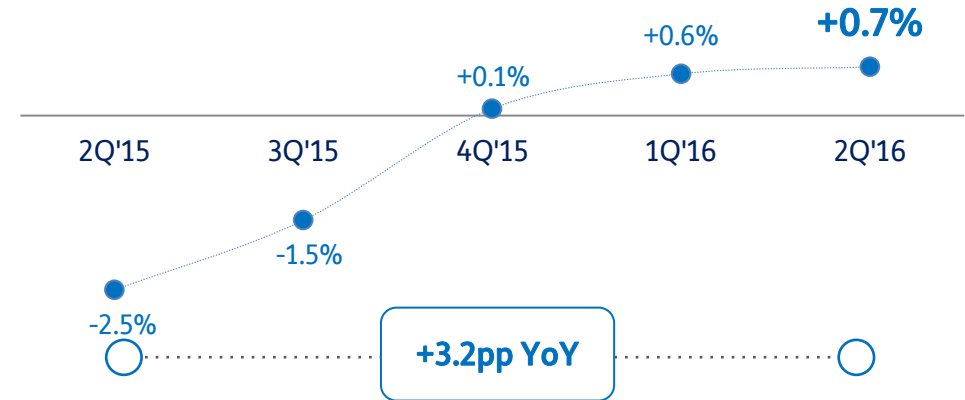
Domestic Mobile Performance

000, €mln, % YoY

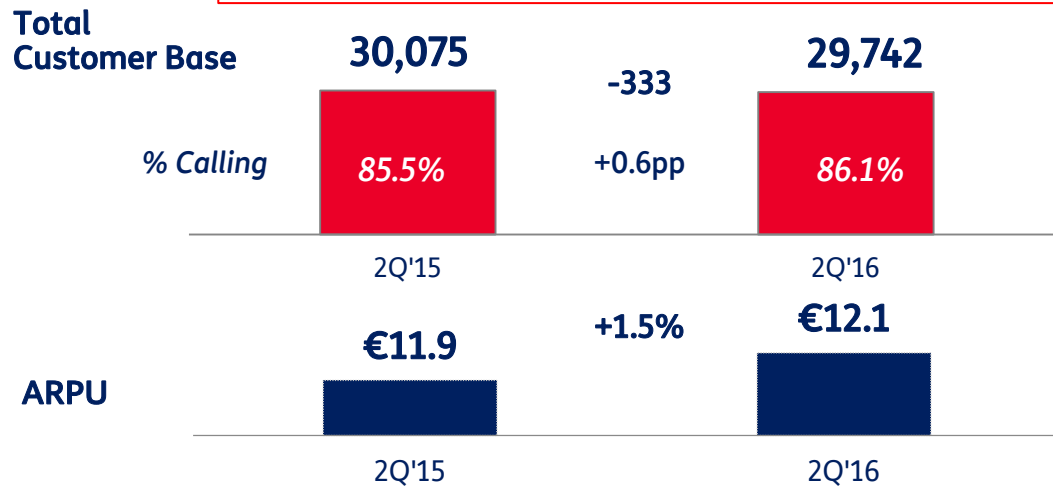
Domestic Mobile Revenues



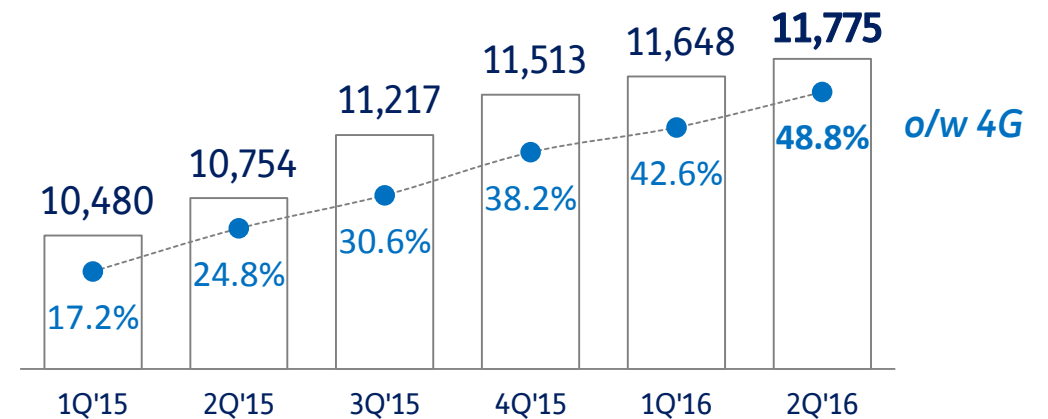
Domestic Mobile Service Revenue Trend



Customer Base & ARPU Dynamics



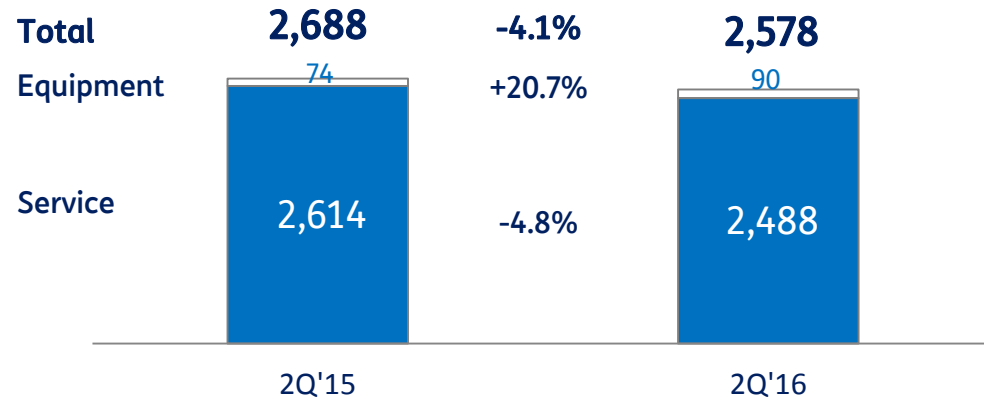
Mobile Broadband Users



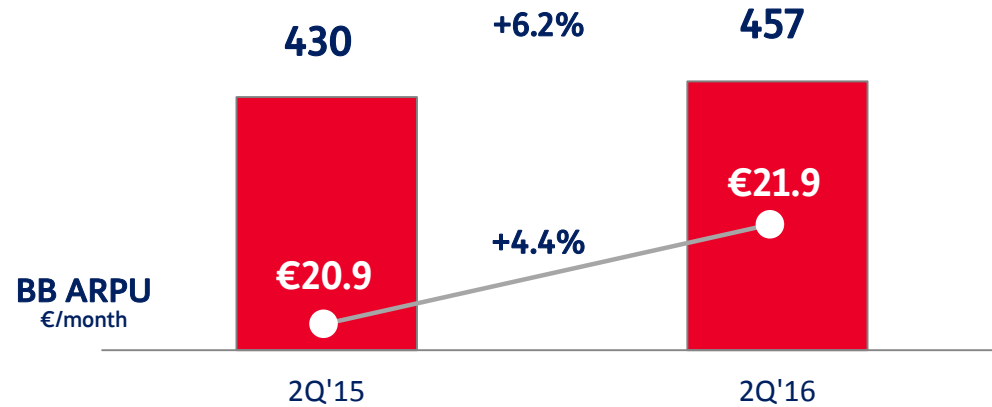
Domestic Fixed Performance

000, €mln, % YoY

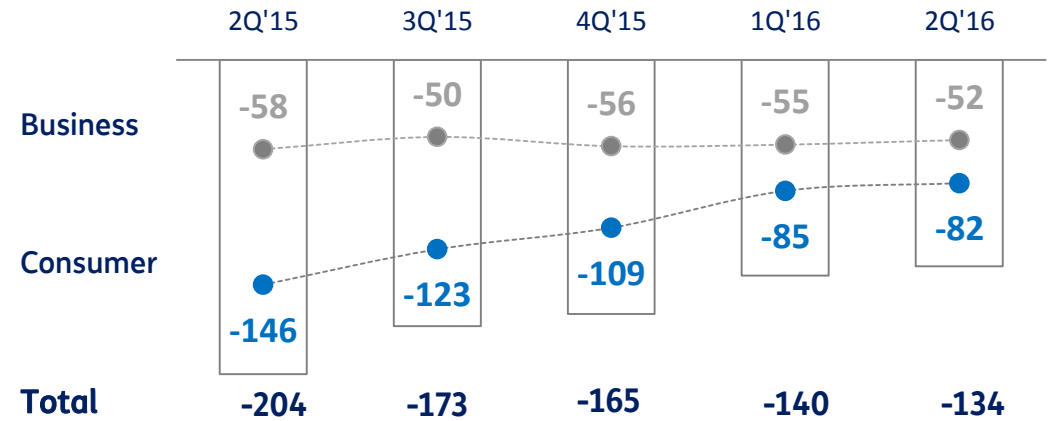
Domestic Fixed Revenues



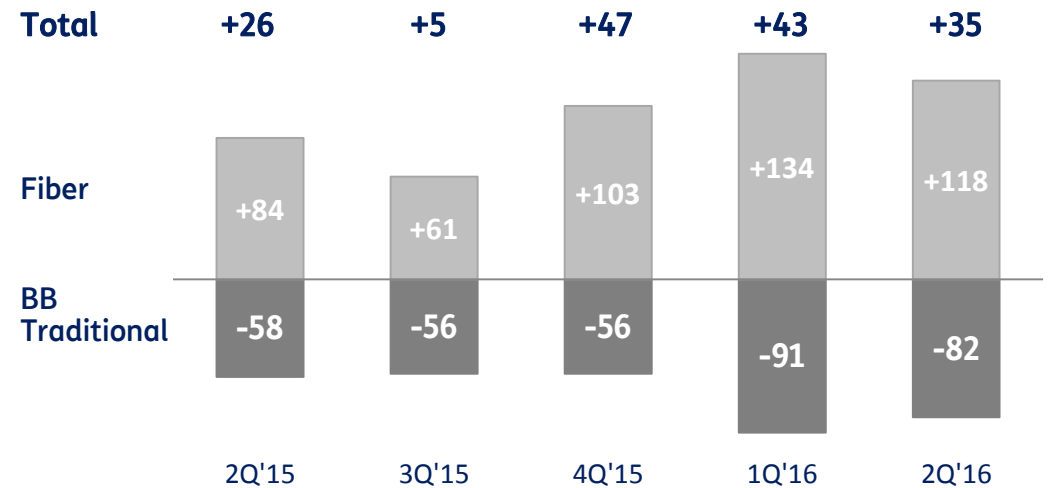
Domestic BB Service Revenues



Domestic Fixed Access

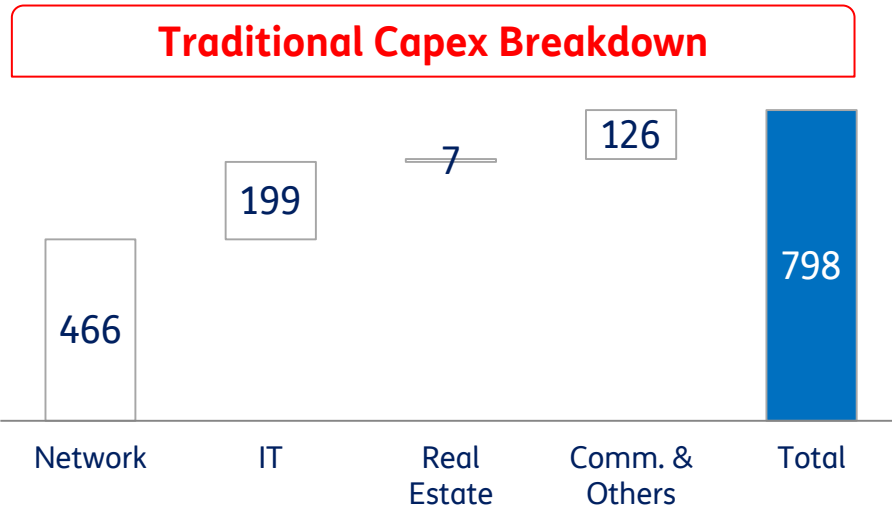
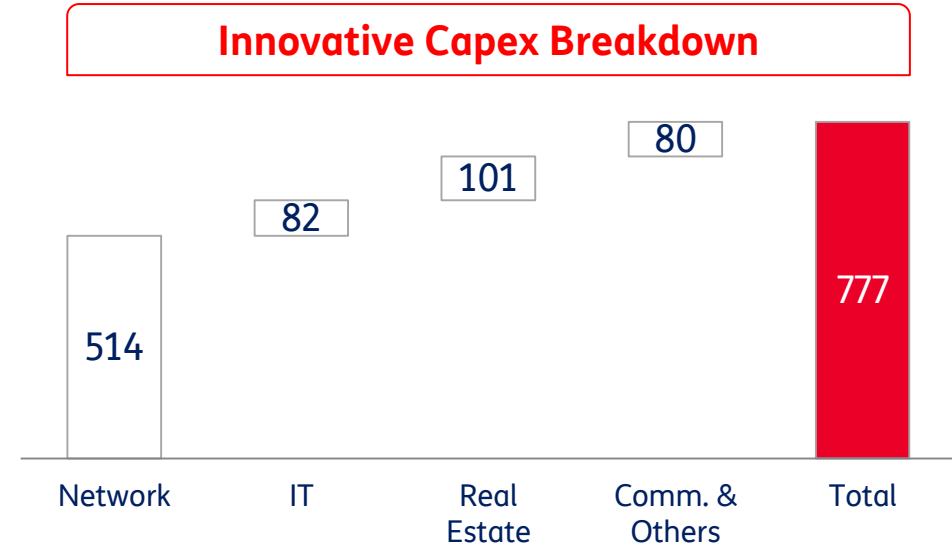
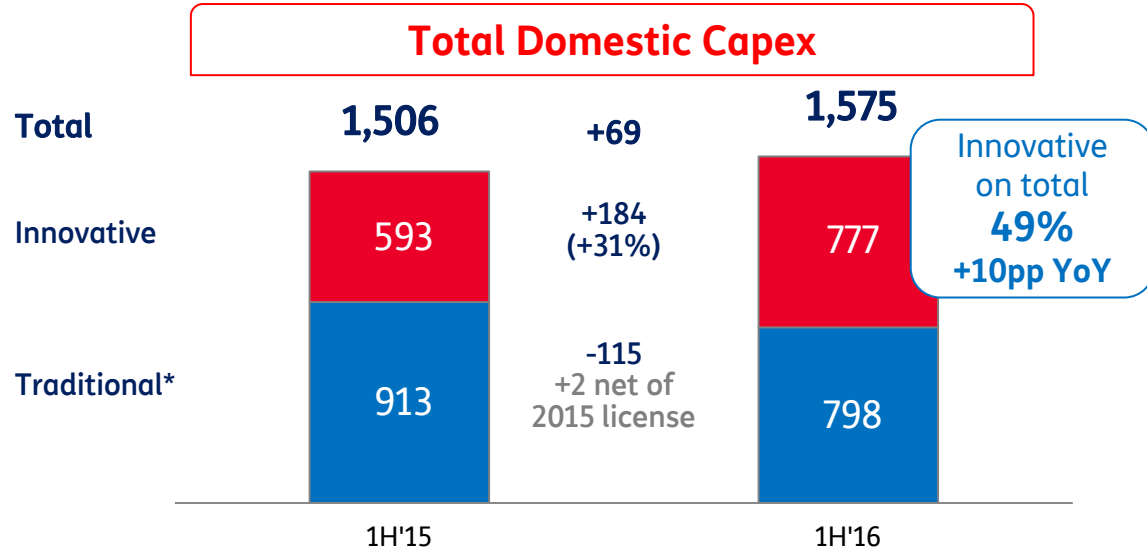


Domestic BB Net Adds



1H'16 Domestic: Focus on Investments

€mln

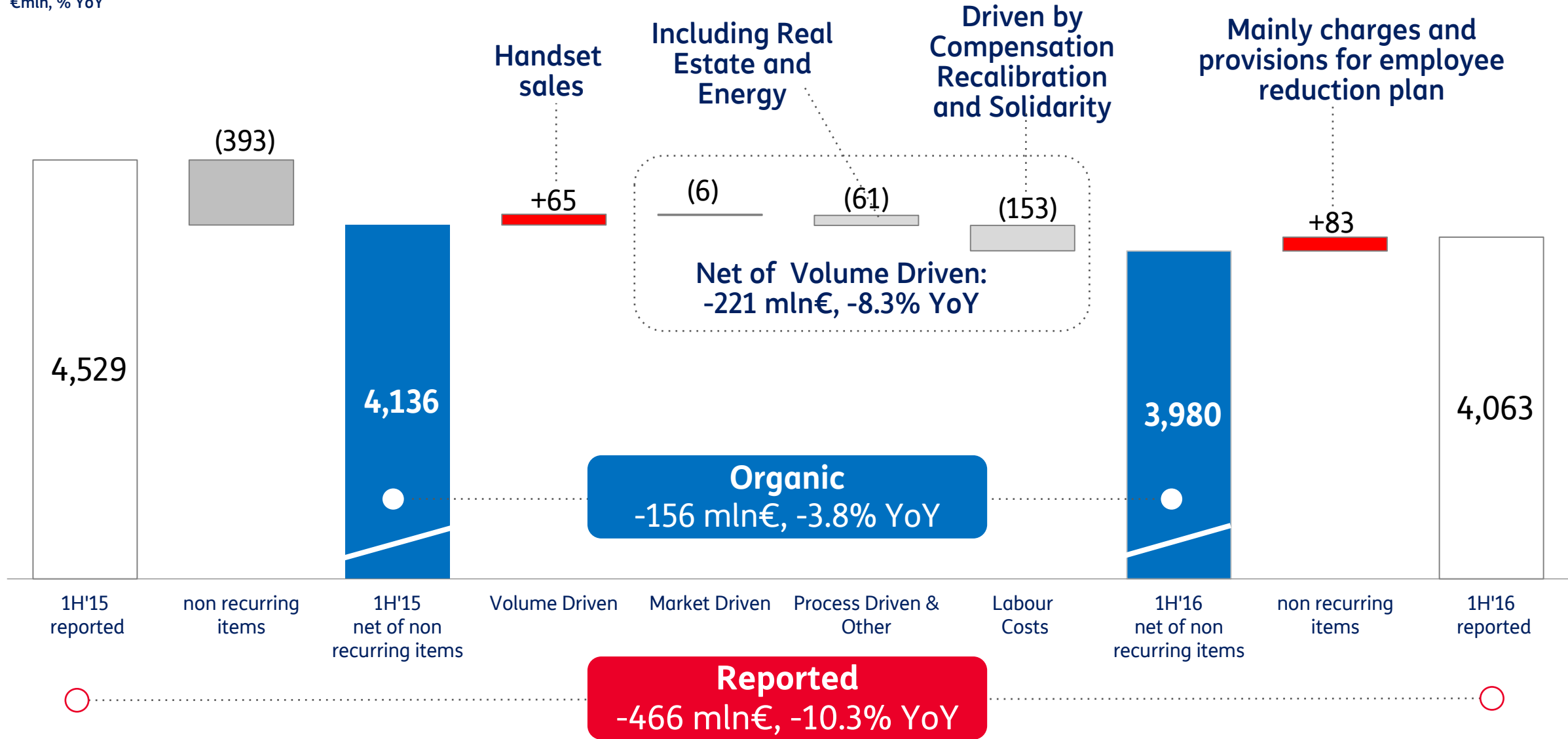


Domestic Capex Highlights

- Innovative Investments (+184 €mln YoY) driven by a faster pace in core NGN & LTE components and additional Capex in Cloud Services
- 77% Innovative and 83% Traditional Capex are Network and IT, indicating strong focus on Infrastructure

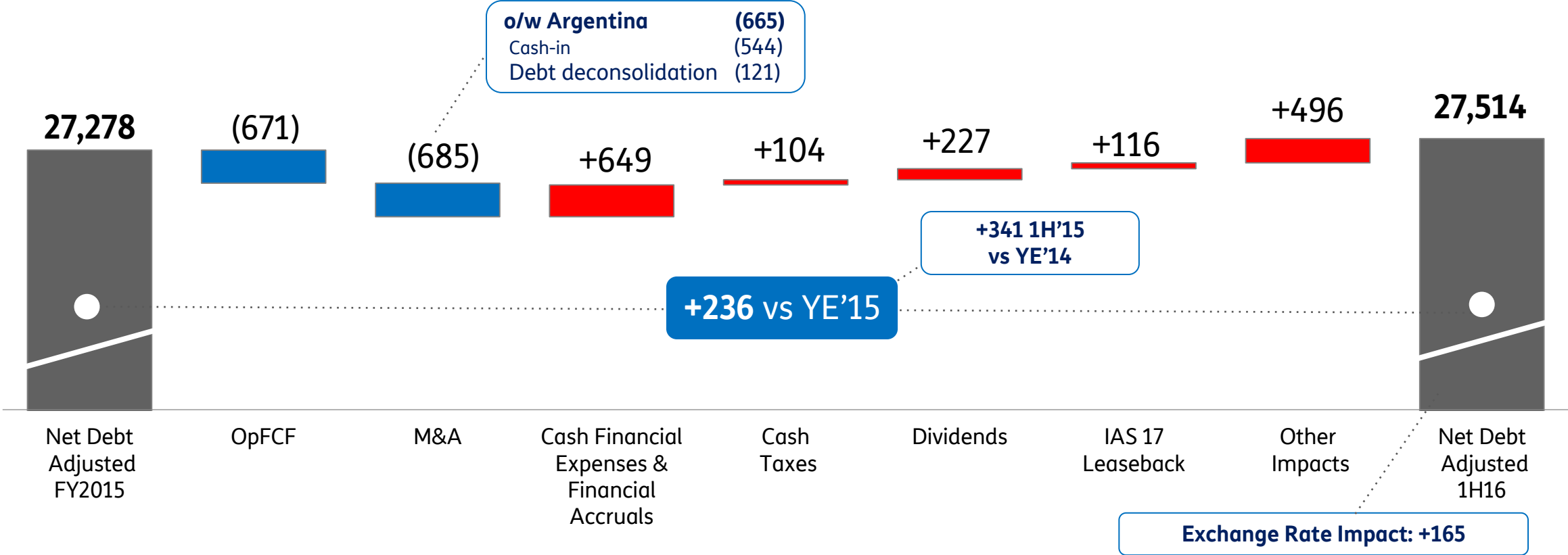
Focus on Domestic Opex

€mln, % YoY



1H'16 Net Debt Evolution

€mln, % YoY



Agenda

Action Plan Progress and Outlook - Flavio Cattaneo

2Q'16 Results - Piergiorgio Peluso

— **Take-Aways - Flavio Cattaneo**

Back-up

Take-Aways

Agenda

Action Plan Progress and Outlook - Flavio Cattaneo

2Q'16 Results - Piergiorgio Peluso

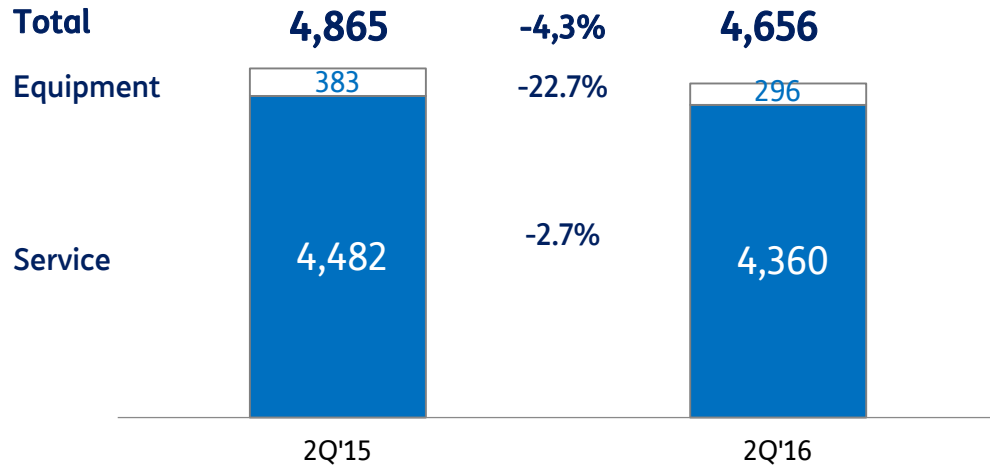
Take-Aways - Flavio Cattaneo

— Back-up

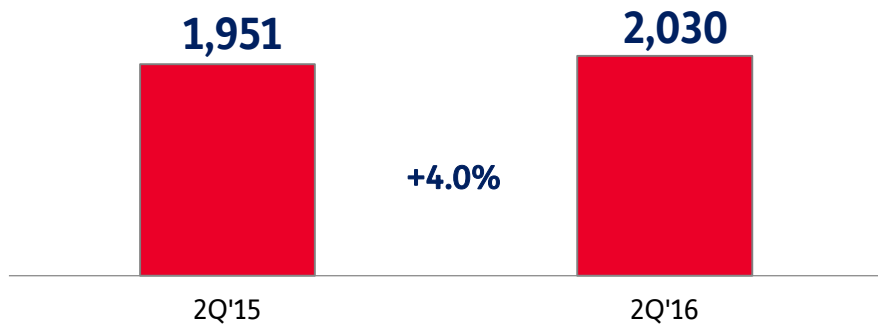
Group 2Q'16: Organic Revenues & EBITDA

Organic*, €mln, % YoY

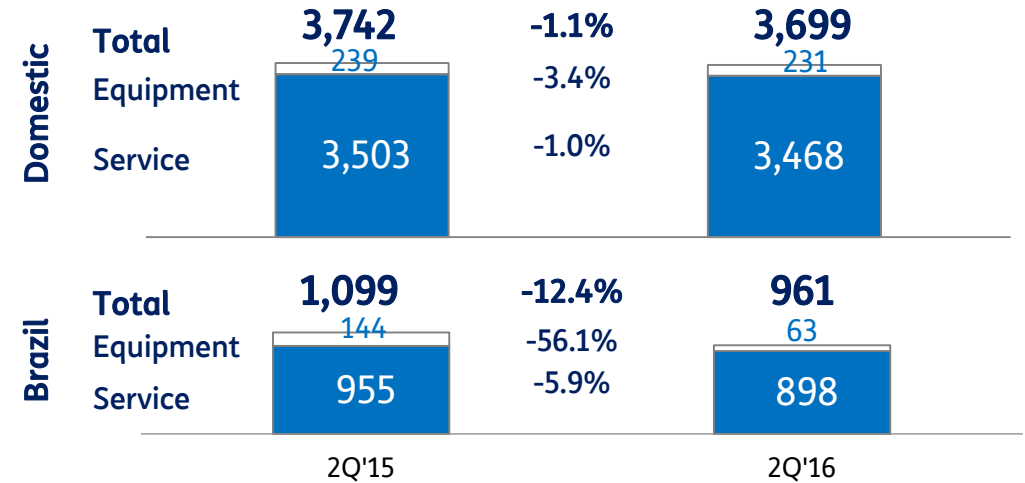
Group Revenues



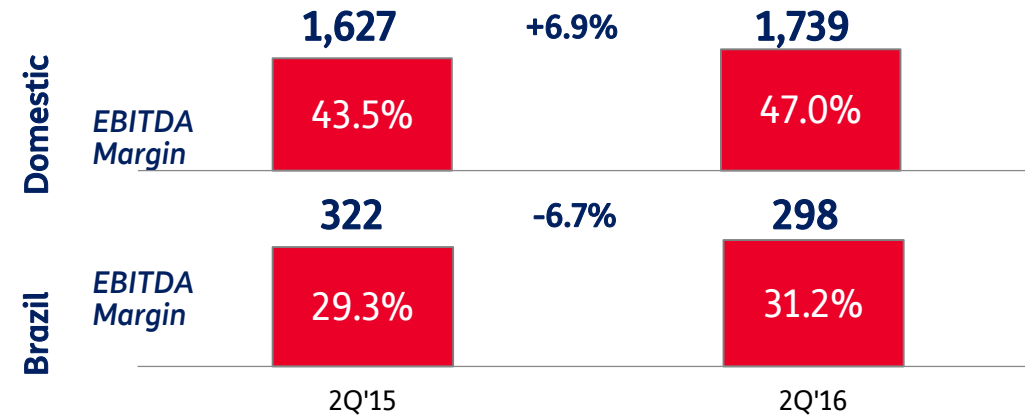
Group EBITDA



Revenue Breakdown



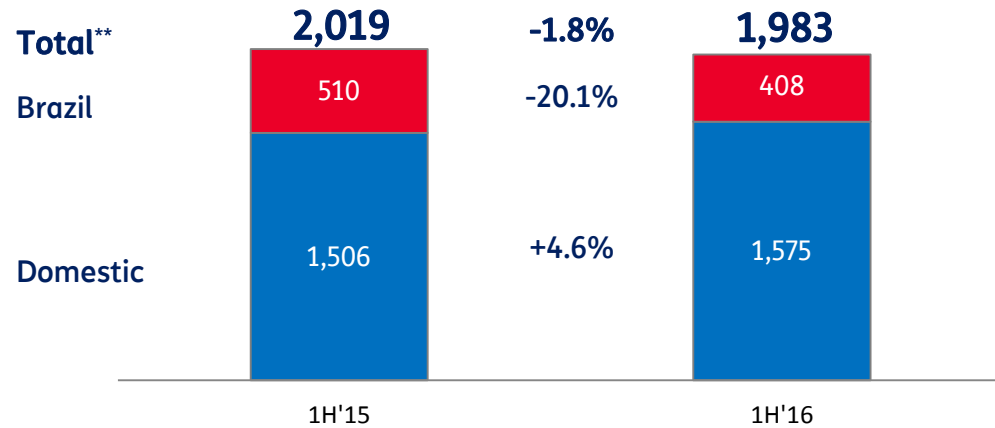
EBITDA Breakdown



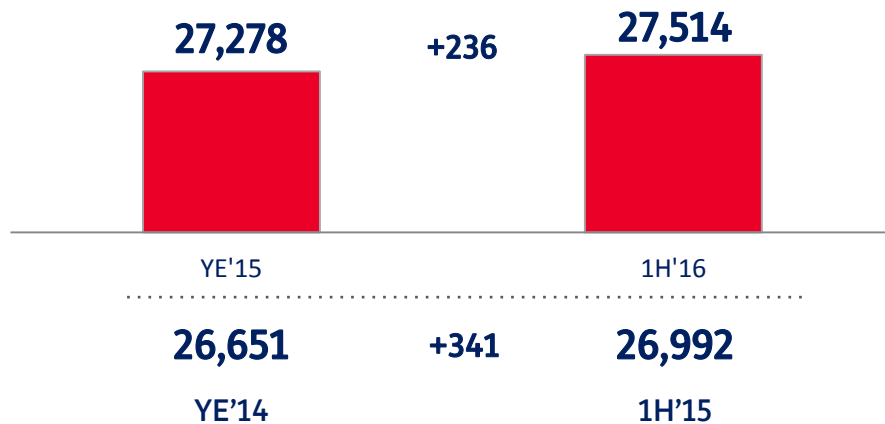
Group 1H'16: Capex & Net Debt

€mln, % YoY

Group Organic* Capex



Adjusted Net Debt



Capex Highlights

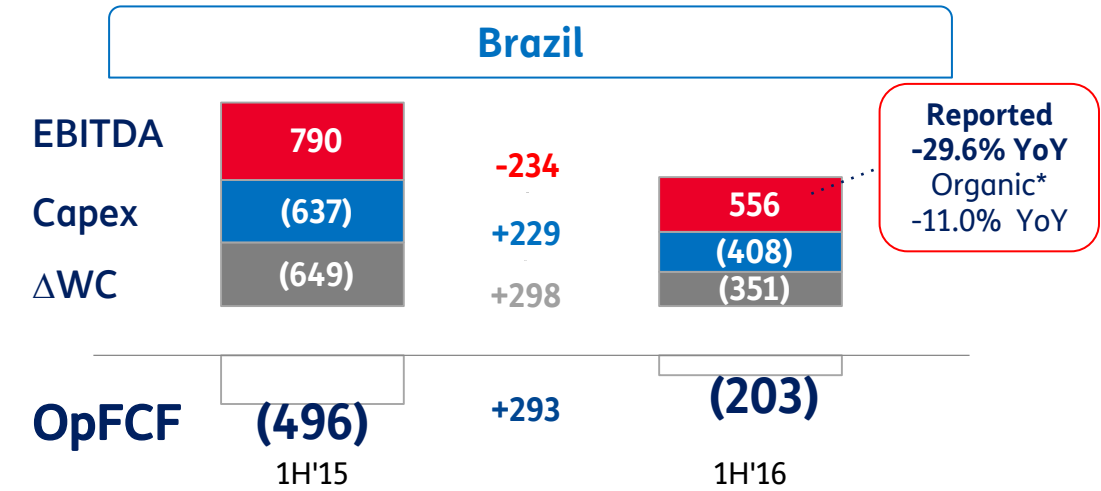
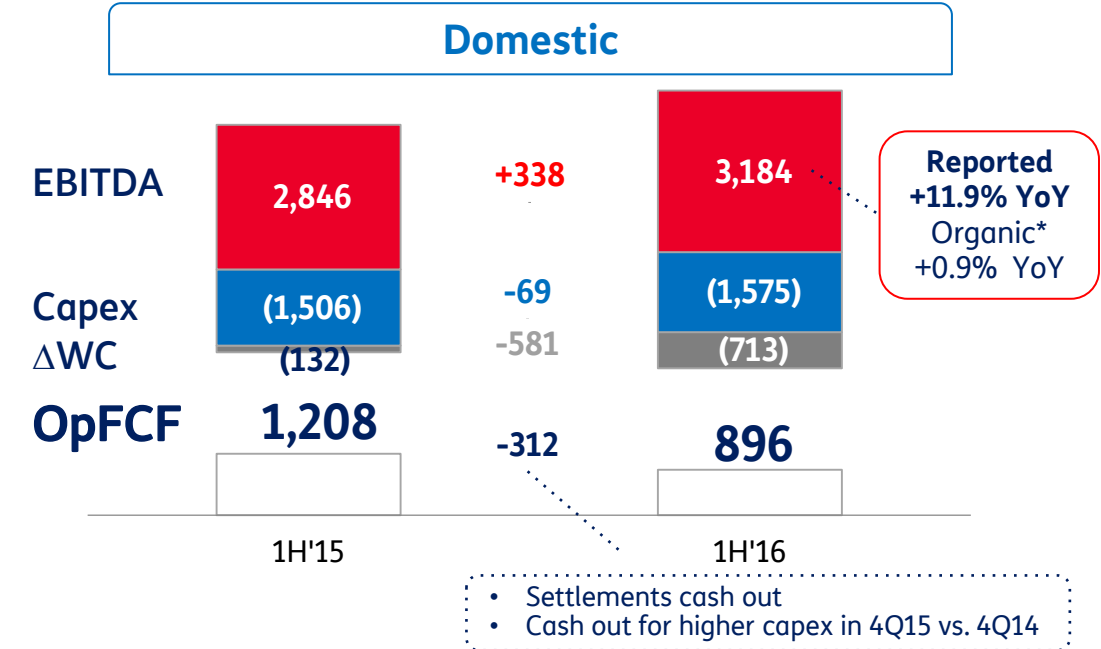
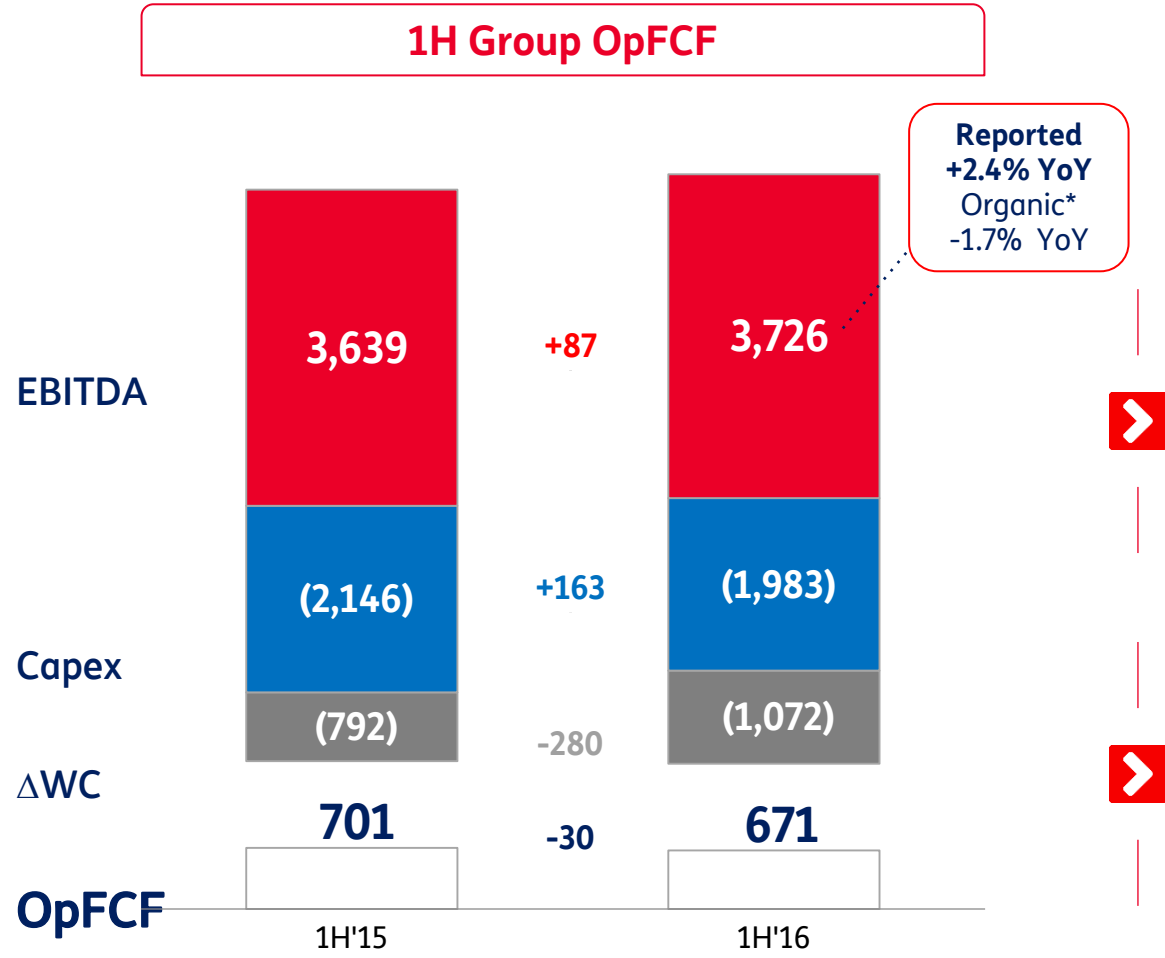
- Group Capex reduction due to different dynamics:
 - Efficiencies and better negotiation despite higher Investments on Innovative Services in Brazil
 - More investment in Italy mainly driven by UBB Network roll-out & Transformational Projects

Net Debt Highlights

- OpFCF and M&A more than offset Cash Financial Expenses, Cash Taxes and Dividends
- Net Debt variation vs YE'15 mainly due to exchange rate effect and non cash impact related to IAS 17 (lease-back)

OpFCF Generation in 1H'16

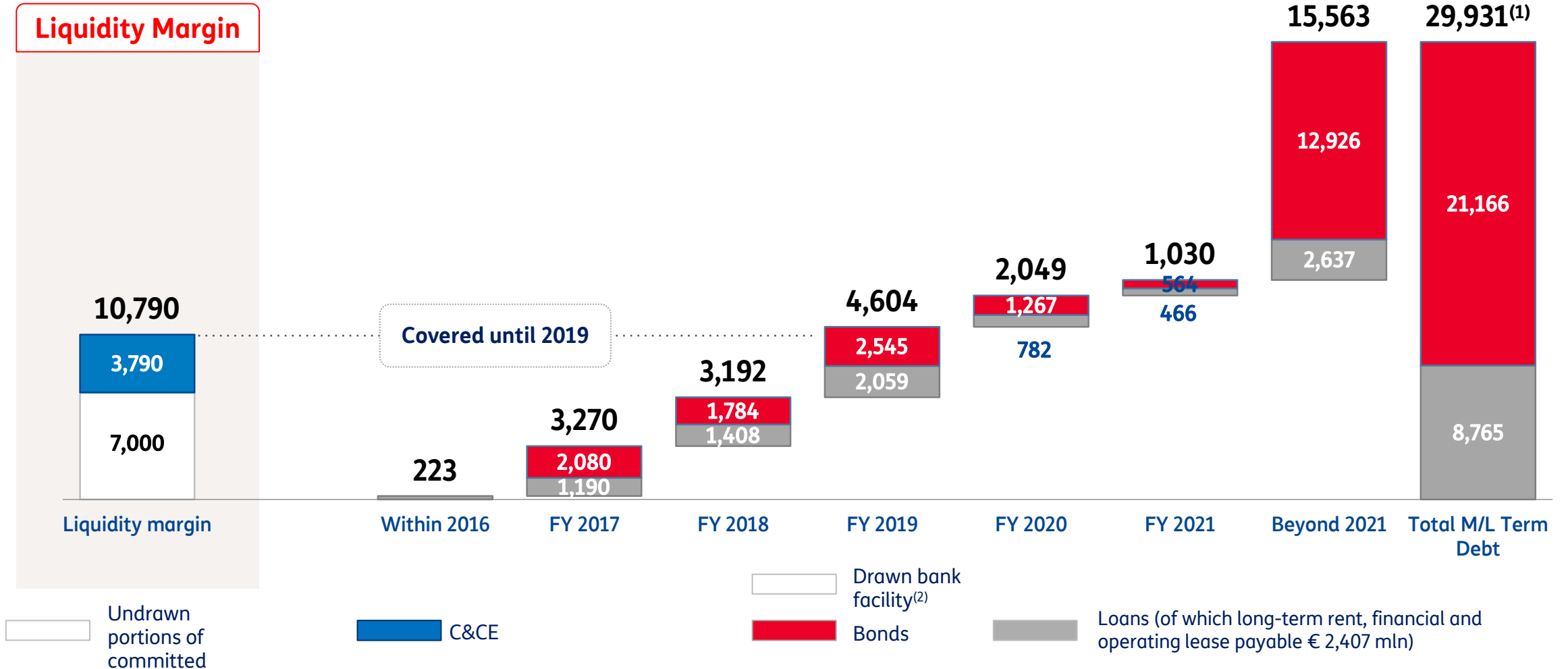
€mln, Reported, % YoY



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

Maturities & Liquidity Margin

€mln

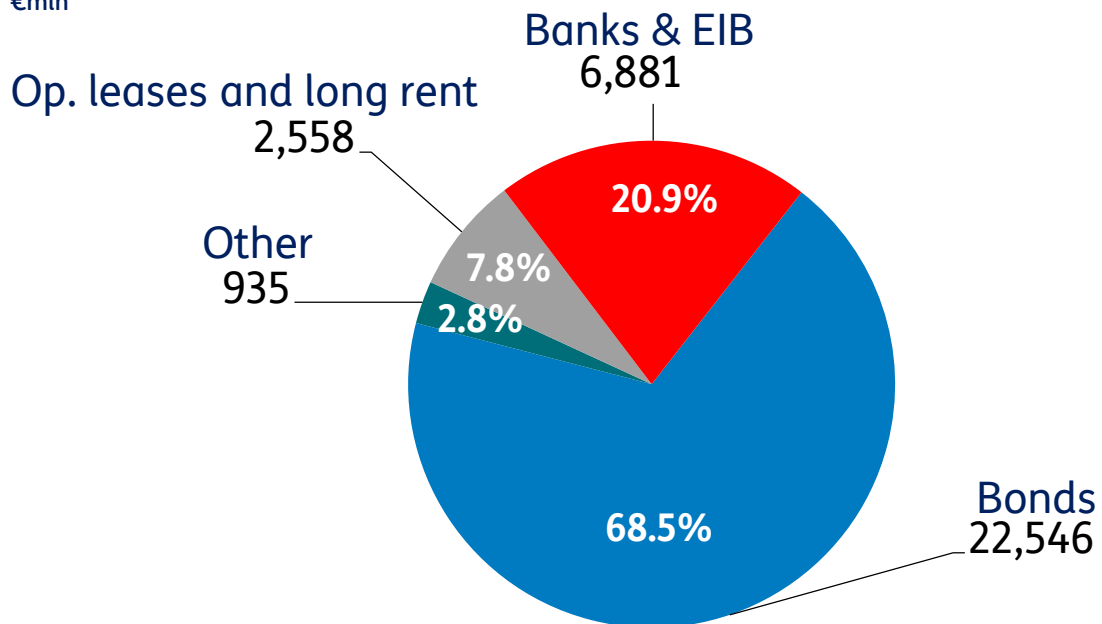


(1) € 29,931 mln is the nominal amount of outstanding medium-long term debt. By adding Mandatory Convertible Bond (€ 1,300 mln), IAS adjustments (€ 1,100 mln) and current financial liabilities (€ 589 mln), the gross debt figure of € 32,290 mln is reached

(2) Committed Bank lines are undrawn

Well Diversified and Hedged Debt

€mln



Gross debt

32,290

Financial Assets

(5,406)

of which C&CE and marketable securities

(3,790)

- C & CE

(2,707)

- Marketable securities

(1,083)

- Government Securities

(390)

- Other

(693)

Net financial position

27,514

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 2,316 €/mln (of which 392 €/mln on bonds)

- the impact on Financial Assets is equal to 1,760 €/mln.

Therefore, the Net Financial Indebtedness is adjusted by 556 €/mln.

The difference between total financial assets (€ 5,406 mln) and C&CE and marketable securities (€ 3,790 mln) is equal to € 1,616 mln and refers to positive MTM derivatives (accrued interests and exchange rate) for € 1,430 mln, financial receivables for lease for € 112 mln and other credits for € 74 mln.

Maturities and Risk Management

Average m/l term maturity:
7.94 years (bond only 8.35 years)

Fixed rate portion on gross debt approximately 69.9%

Around 38% of outstanding bonds (nominal amount) denominated in USD and GBP and is fully hedged

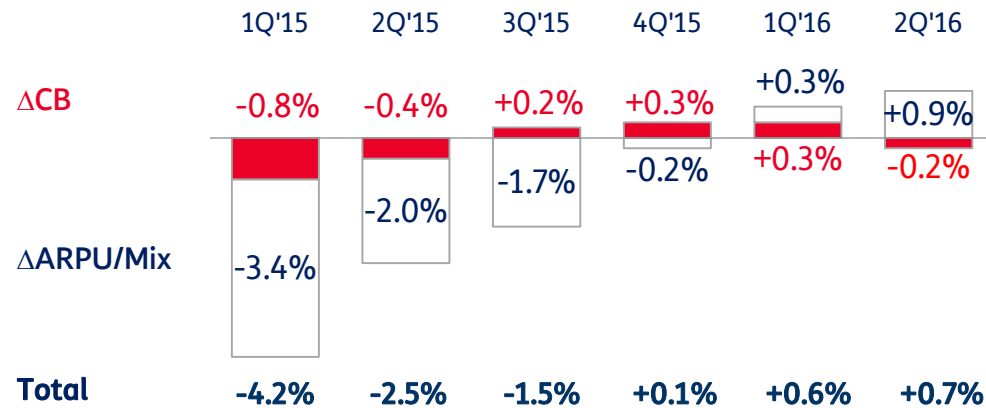


Cost of debt: ~5.1 %

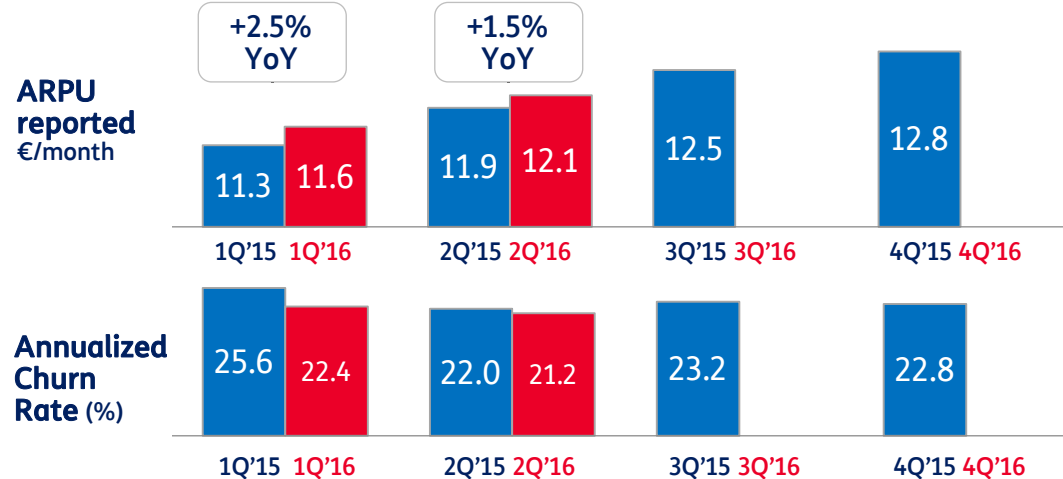
Domestic Mobile Details

000, €mln, % YoY

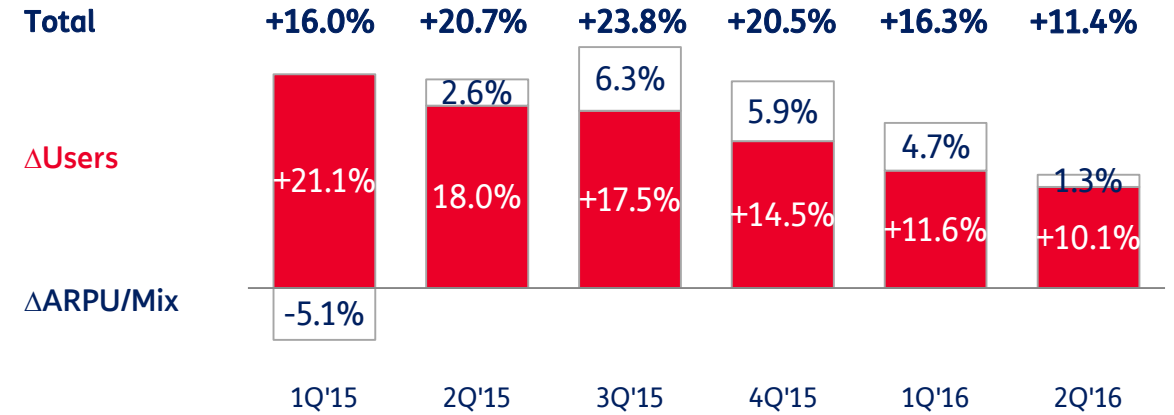
Mobile Service Revenues Trend



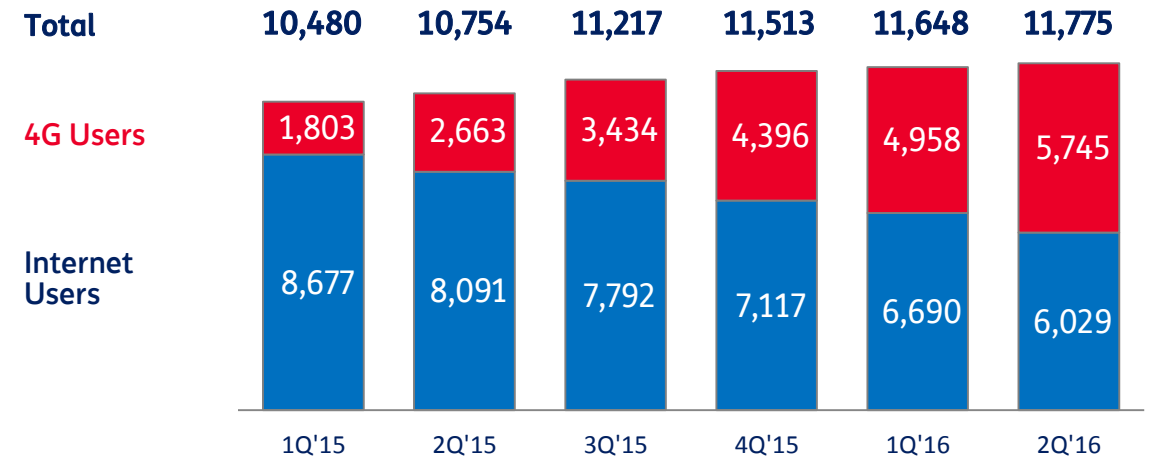
ARPU & Churn Rate



Mobile BB Service Revenues Trend



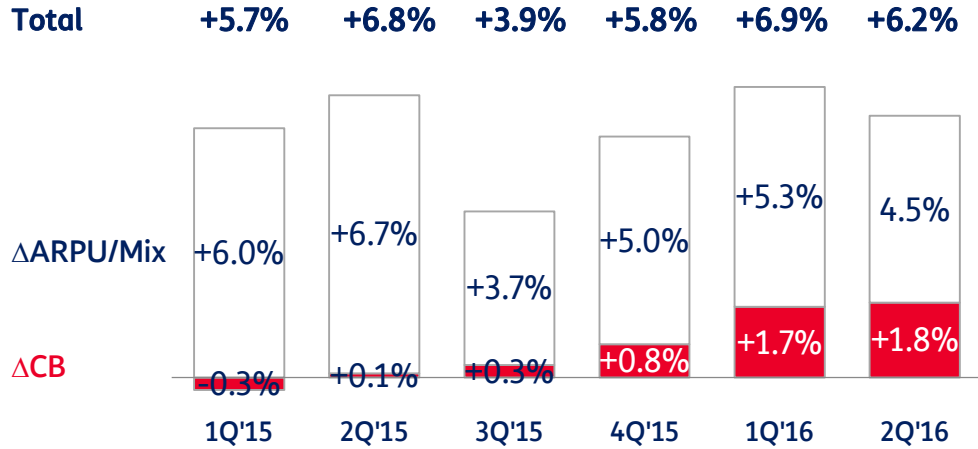
Mobile BB Customer Base



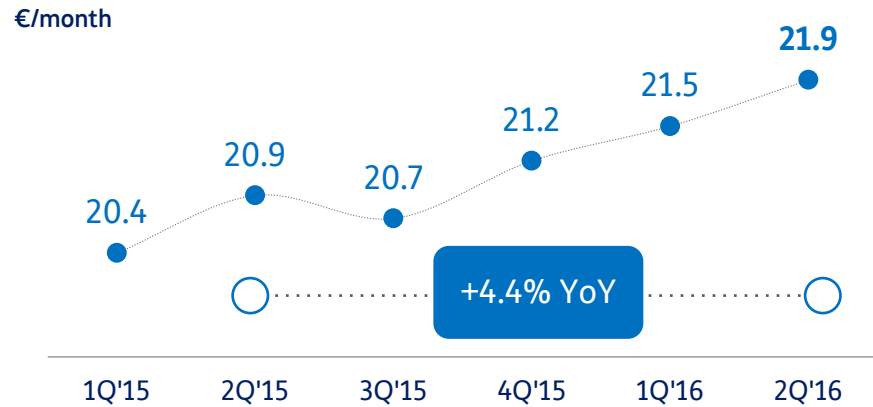
Domestic Fixed Details

000, €mln, % YoY

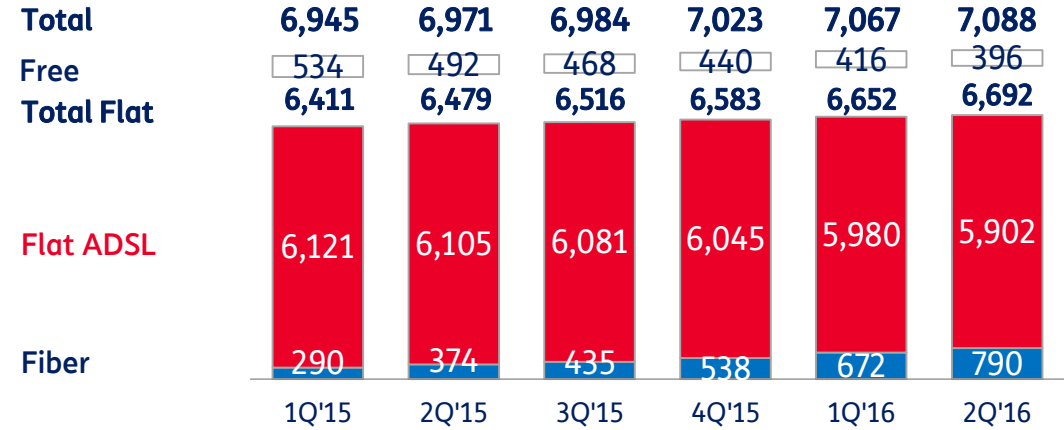
Fixed BB Service Revenues Trend



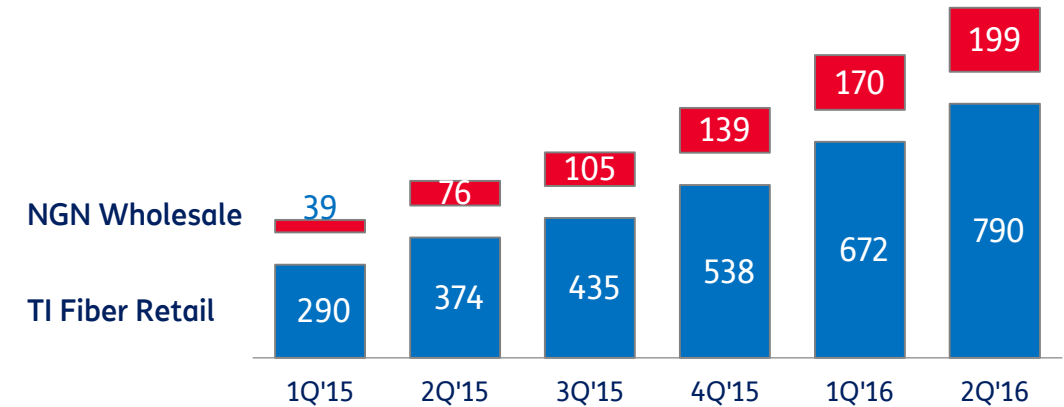
Fixed BB ARPU



Fixed BB Customer Base

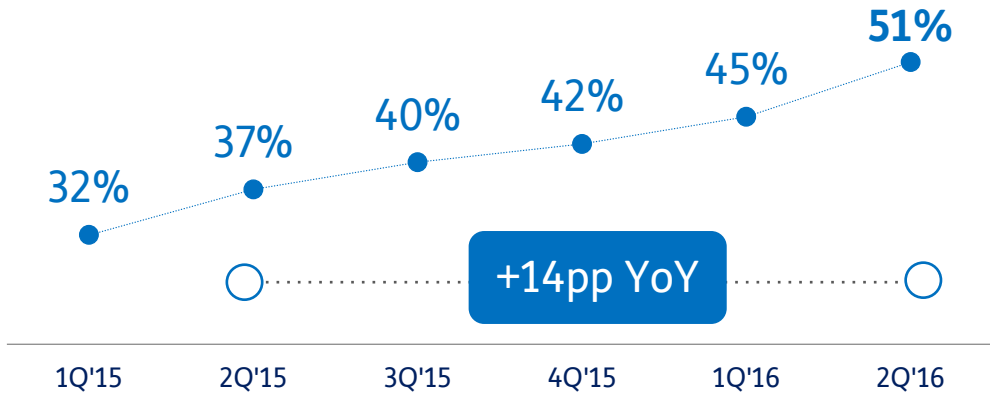


Focus on Fiber Users



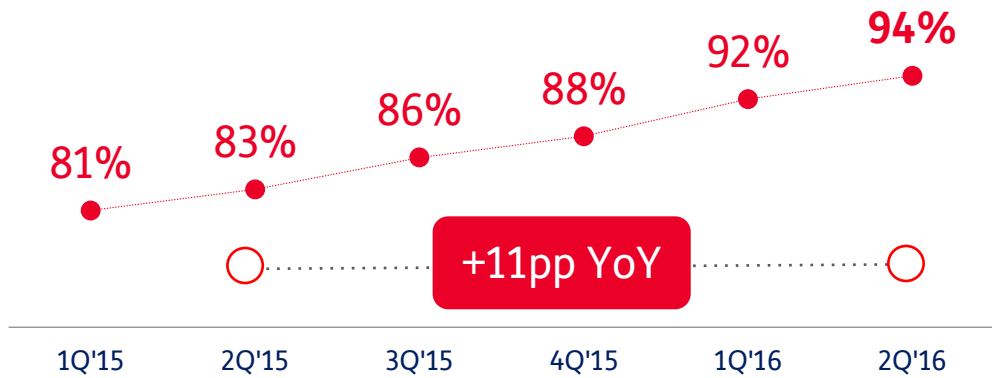
Domestic Fiber & LTE Coverage Trend

Today Fiber Coverage*



	today	2018
Coverage	51%	~84%

Today 4G Coverage

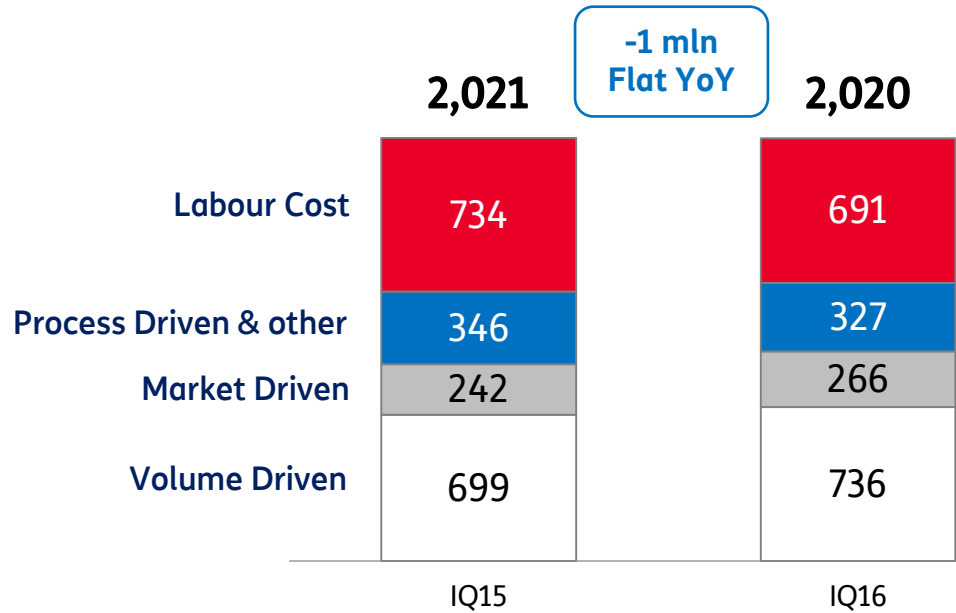


	today	2018
Population	94%	98%

Domestic cost program fully on track with strong improvement in efficiency and profitability

Organic*

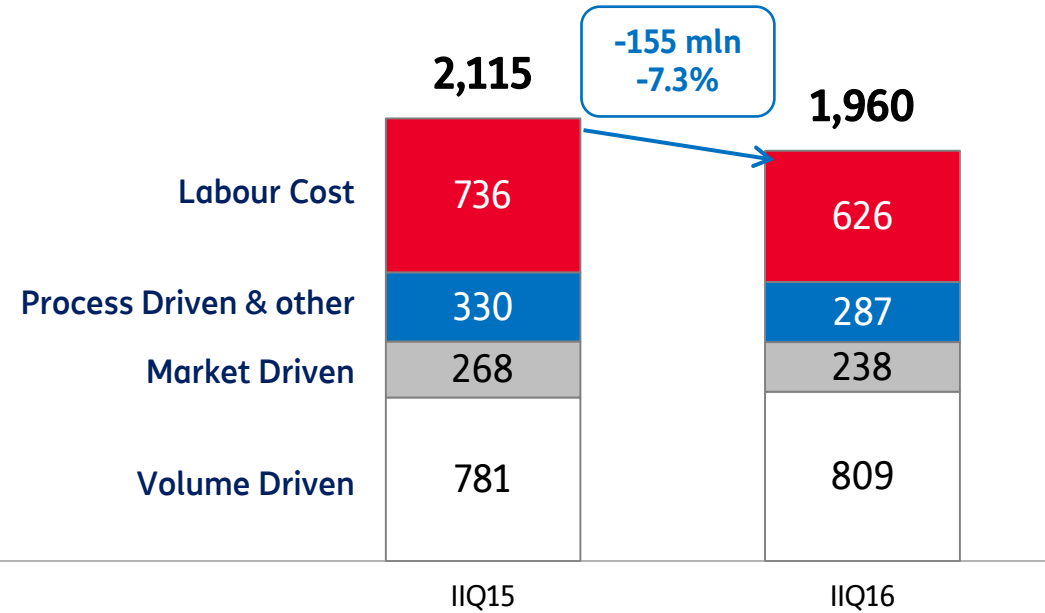
1Q'16 vs 1Q'15



ΔYoY by destination

Volume Driven	+37	+5.3%
Market Driven	+24	+9.8%
Process Driven	-9	-2.0%
Labour Cost	-43	-5.8%
Other	-10	

2Q'16 vs 2Q'15



ΔYoY by destination

Volume Driven	+28	+3.5%
Market Driven	-30	-11.2%
Process Driven	-67	-14.1%
Labour Cost	-110	-15.0%
Other	+25	

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€

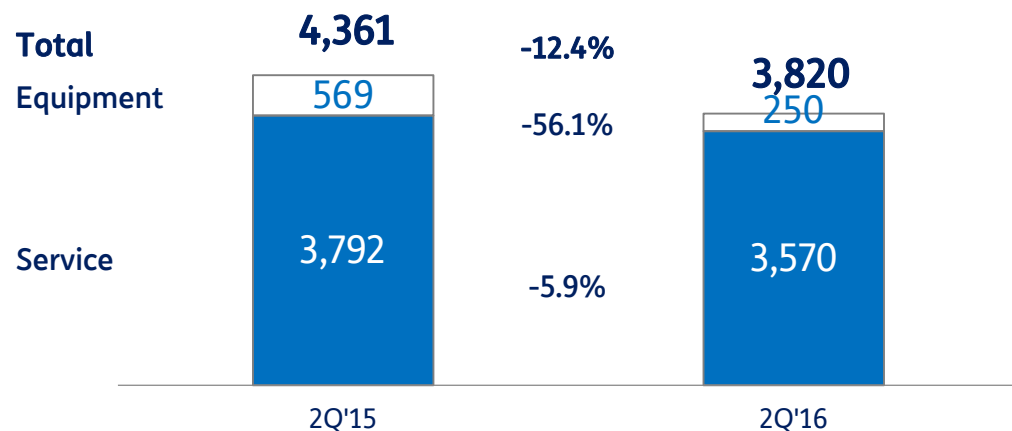
TIM Brasil - Cash Cost Efficiency Dashboard*

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

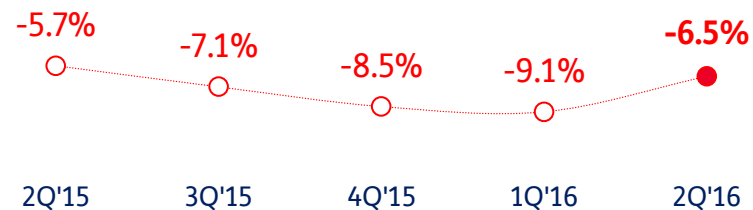
TIM Brasil: 2Q'16 Results

R\$mln, % YoY

Revenues

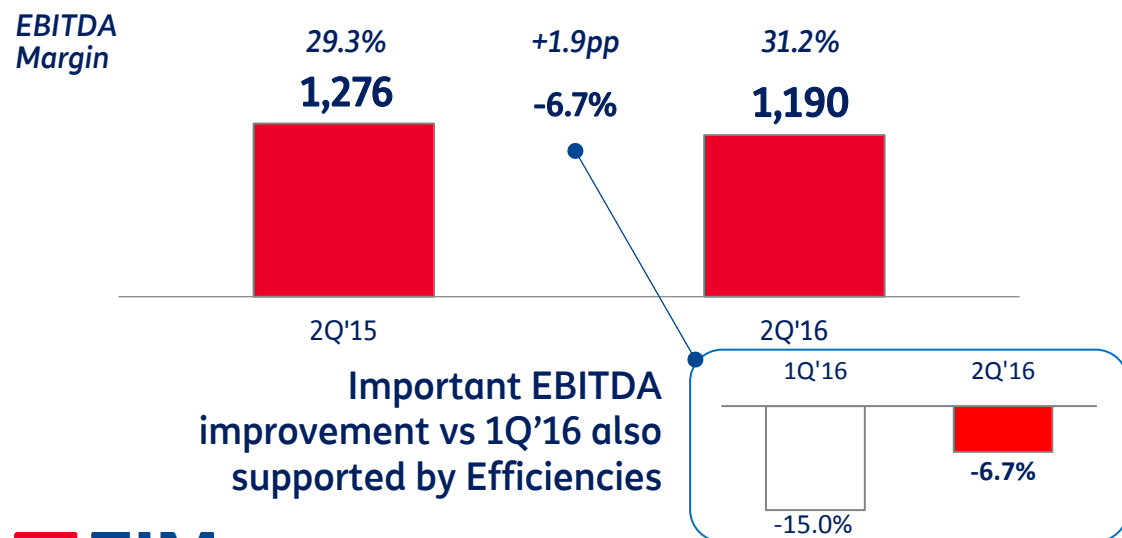


Focus on Mobile Service Revenues*



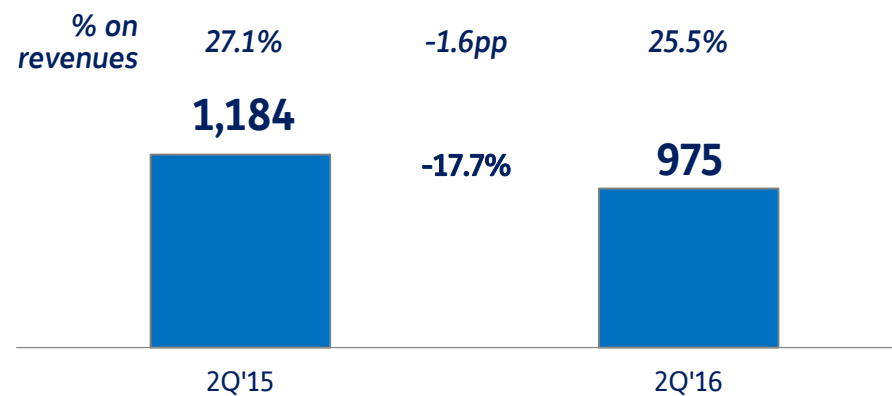
Mobile Service Net Revenues (YoY%) show first signs of recovery

Organic EBITDA**



Important EBITDA improvement vs 1Q'16 also supported by Efficiencies

Capex



* Data do not include revision related to prepaid revenues in 2015
 ** Before non-recurring items

For further questions please contact the IR Team

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